NATIONAL DEFENSE STOCKPILE - MARKET IMPACT COMMITTEE

Federal Register Notice: 61 FR 51403
(October 2, 1996)
PUBLIC COMMENTS: FY 1998 AMP and revisions to FY 1997 AMP

MIC98-1	October 2, 1996 Federal Register notice opening public comment period
MIC98-2	October 2, 1996 DOC Press Release announcing Market Impact Committee request for public comments
MIC98-3	October 21, 1996 Telecopy Message from S. Donald Moore, President, InterStar Mining Group, Inc. RE: Manganese Ore & Ferromanganese
MIC98-4	October 18, 1996 letter from David Rice, President and CEO, Savage Zinc, Inc. RE: Zinc
MIC98-5	October 31, 1996 Fax from Michael Dean, Embassy of Austrailia transmitting letter from Don Banfield, Assistant Secretary, Department of Primary Industries an Energy, Minerals Branch, Australia. RE: All Tantalum Product Forms
MIC98-6	October 31, 1996 letter from Ahmad Zuberi H. J. Noordin, Secretary-General, Ministry of Primary Industries, Malyaysia RE: Rubber
MIC98-7	October 31, 1996 report from the American Zinc Association RE: Zinc
MIC98-8	October 28, 1996 Letter from Russell C. Wisor, Director, Government Affairs, Aluminum Company of American RE: Aluminum
MIC98-9	October 29, 1996 letter from Emile Henein, Account Executive Pharmaceutical/Chemical Dept., George Uhe Company RE: Germanium
MIC98-10	October 30, 1996 letter from Steven J. Strulowitz, President, Sovereign Recycling International RE: Cobalt
MIC98-11	November 1, 1996 letter from Robert N. Pyle, Governement Relations, Elkem Metals Company RE: Manganese
MIC98-12	October 30, 1996 letter from Herschel Cutler, Institute of Scrap Recycling Industries, Inc. RE: Cobalt
MIC98-13	November 1996 cable from American Embassy, Kingston, Jamaica RE: Bauxite (Jamacian & Surinam) and Aluminum
MIC98-14	August 3, 1996 letter from Akezhan Kazhegeldin, Prime-Minister of the Republic of Kazakstan RE: Chromium, Ferro
MIC98-15	November 6, 1996 letter from Nuzhet Kandemir, Ambasador, Turkish Embassy RE: Chromium, Ferro & Chrome Ore

MIC98-16 November 12, 1996 FAX from Alfredo J. Valencia, Minister Counsselor (Economic)
RE: Variety of Materials such as Silver, Copper, Zinc etc.

MIC98-17 November 15, 1996 Supplemental letter from Steven J. Strulowitz, President, Sovereign Recycling International
RE: Cobalt

[Federal Register: October 2, 1996 (Volume 61, Number 192)]
[Notices]
[Page 51403-51405]
From the Federal Register Online via GPO Access [wais.access.gpo.gov]
[DOCID:fr02oc96-39]

DEPARTMENT OF COMMERCE
Bureau of Export Administration

National Defense Stockpile Market Impact Committee Request for Public Comments

AGENCY: Office of Strategic Industries and Economic Security, Bureau of Export Administration, U.S. Department of Commerce.

ACTION: Notice of request for public comments on the potential market impact of proposed disposals of excess commodities currently held in the National Defense Stockpile.

SUMMARY: This notice is to advise the public that the interagency National Defense Stockpile Market Impact Committee is seeking public comment on the potential market impact of Department of Defense proposed material disposals from the National Defense Stockpile under the Fiscal Year (FY) 1998 Annual Materials Plan (AMP) and revisions to the FY 1997 AMP.

DATES: Comments must be received by November 1, 1996.

ADDRESSES: Written comments (10 copies) should be sent to Richard V. Meyers, Co-Chair, Stockpile Market Impact Committee, Office of Strategic Industries and Economic Security, Room 3876, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230.

FOR FURTHER INFORMATION CONTACT: Richard V. Meyers, Office of Strategic Industries and Economic Security, U.S. Department of Commerce, (202) 482-3634; or Richard Watkins, International Commodities Division, U.S. Department of State, (202) 647-2871; co-chairs of the National Defense Stockpile Market Impact Committee.

SUPPLEMENTARY INFORMATION: Under the authority of the Strategic and Critical Materials Stock Piling Act of 1979, as amended, (50 U.S.C. 98 et seq.), the Department of Defense (as National Defense Stockpile Manager) maintains a stockpile of strategic and critical materials to supply the military, industrial, and essential civilian needs of the United States for national defense. Section 3314 of the Fiscal Year (FY) 1993 National Defense Authorization Act (NDAA) (50 U.S.C. 98h-1) formally established a Market Impact Committee (the Committee) to ``advise the National Defense Stockpile Manager on the projected domestic and foreign economic effects of all acquisitions and disposals of materials from the stockpile * * *.'' The Committee must also balance market impact concerns with the statutory requirement to protect the Government against avoidable loss.

The Committee is comprised of representatives from the Departments of Commerce, State, Agriculture, Defense, Energy, Interior, Treasury

and the

[[Page 51404]]

Federal Emergency Management Agency and is co-chaired by the Departments of Commerce and State. The FY 1993 NDAA directs the Committee to ``consult from time to time with representatives of producers, processors and consumers of the types of materials stored in the stockpile.''

The Committee will soon begin its consideration of Defense's proposed material disposals from the National Defense Stockpile under the FY 1998 Annual Materials Plan (AMP) and revisions to the FY 1997 AMP. In order for the Committee to obtain sufficient information to prepare its recommendations to Defense, the Committee requests that interested parties provide comment on the potential market impact of disposals of the commodities identified below.

The proposed maximum disposal quantity for each listed material is included. Please note that these quantities are not sales targets. They are only a statement of the proposed maximum disposal quantity of each material that may be sold in a particular fiscal year. The quantity of each material that will actually be offered for sale will depend on the market for the material at the time of the offering. It will also depend on the maximum disposal quantity of each material approved for disposal by the Congress.

Proposed Fiscal Year 1998 AMP

Material	Units	Current FY 1997 (Effective 10-1-96) Quantity	Proposed FY 1998 Quantity
Aluminum Oxide, Abrasive.....	ST	6,000	6,000
Aluminum Oxide, Fused Crude....	ST	30,000	30,000
Analgesics.....	AMALB	2,500	2,500
Antimony.....	ST	3,000	3,000
Asbestos (all types).....	ST	20,000	20,000
Bauxite, Metallurgical (Jamaican).	LDT	600,000	600,000
Bauxite, Metallurgical (Surinam).	LDT	300,000	300,000
Bauxite, Refractory.....	LCT	80,000	80,000
Beryl Ore.....	ST	2,000	2,000
Bismuth.....	LB	300,000	300,000
Cadmium.....	LB	1,200,000	1,200,000
Celestite.....	SDT	3,600	3,600
Chromite, Chemical.....	SDT	100,000	100,000
Chromite, Metallurgical.....	SDT	250,000	250,000
Chromite, Refractory.....	SDT	100,000	100,000
Chromium, Ferro.....	ST	25,000	50,000
Diamond, Bort.....	CT	1,000,000	1,000,000
Diamond Dies, Small PCS.....	PC	.....	25,473
Diamond Stone.....	CT	2,000,000	2,000,000
Fluorspar, Acid.....	SDT	100,000	180,000
Fluorspar, Metallurgical.....	SDT	150,000	50,000
Graphite, Natural Malagasy.....	ST	1,220	1,220
Iodine.....	LB	450,000	450,000
Jewel Bearings.....	PC	31,000,000	31,000,000
Kyanite.....	SDT	1,200	1,200

Lead	ST	60,000	60,000
Manganese, Battery Grade Natural.	SDT	60,000	20,000
Manganese, Battery Grade Synthetic.	SDT	3,011	3,011
Manganese, Chemical Grade	SDT	40,000	40,000
Manganese, Ferro Alloys	ST	50,000	50,000
Manganese, Metal Electrolytic	ST	2,000	2,000
Manganese, Metallurgical Grade.	SDT	400,000	250,000
Mercury	FL	20,000	20,000
Mica (All Types)		2,260,000	2,260,000
Mica, Muscovite Block	LB		
Mica, Muscovite Film	LB		
Mica, Muscovite Splittings	LB		
Mica, Phlogopite Splittings	LB		
Nickel	ST	10,000	10,000
Quinidine	Av Oz	200,000	750,000
Quinine	Av Oz	200,000	750,000
Sebacic Acid	LB	1,000,000	1,000,000
Silicon Carbide	ST	4,500	9,000
Silver (for coinage)	Tr Oz	9,000,000	9,000,000
Talc	ST	1,000	1,000
Thorium Nitrate	LB	1,000,000	1,000,000
Tin	MT	12,000	12,000
Vanadium Pentoxide	ST V	200	200
Vegetable Tannin Extract, Chestnut.	LT	5,000	7,500
Vegetable Tannin Extract, Quebrac	LT	5,000	10,000
Vegetable Tannin Extract, Wattle.	LT	5,000	10,000
Zinc	ST	50,000	50,000

Proposed Revisions to Fiscal Year 1997 AMP

Material	Units	Quantity
Chromium, Ferro	SDT	35,000
Diamond Dies, Small PCs	CT	25,473
Fluorspar, Acid Grade	SDT	180,000
Fluorspar, Metallurgical	SDT	50,000
Quinidine	Av Oz	750,000
Quinine	Av Oz	750,000
Silicone Carbide	ST	9,000
Vegetable Tannin Extract, Chestnut	LT	7,500
Vegetable Tannin Extract, Quebrac	LT	10,000
Vegetable Tannin Extract, Wattle	LT	10,000

The following list of new materials is presently under consideration by the Congress for disposal authority in both FY 1997 and FY 1998. The Committee is seeking public comment on the potential market impact of the sale of these materials in the event that Congress does grant such disposal authority.

Proposed New Material Disposal Authority for FY 1997 and FY 1998

Material	Units	FY 1997 Quantity	FY 1998 Quantity
Aluminum	ST	62,881	62,881
Cobalt	LBCO	6,000,000	6,000,000
Columbium, Ferro	LBCB	60,000	100,000
Germanium	KG	4,000	4,000
Indium	TROZ	35,000	35,000
Palladium	TROZ	15,000	15,000
Platinum	TROZ	10,000	10,000
Rubber	LT	125,000	125,000
Tantalum Carbide Powder	LBTA	2,000	2,000
Tantalum Minerals	LBTA	100,000	100,000
Tantalum Oxide	LBTA	20,000	20,000

The Committee requests that interested parties provide written comments, supporting data and documentation, and any other relevant information on the potential market impact of the sale of any commodity in the above three lists. Although comments in response to this Notice must be received by November 1, 1996 to ensure full consideration by the Committee, interested parties are encouraged to submit additional comments and supporting information at any time thereafter to keep the Committee informed as to the market impact of the sale of the AMP commodities. Public comment is an important element of the Committee's market impact review process.

Public comments received will be made available at the Department of Commerce for public inspection and copying. Material that is national security classified or business confidential will be exempted from public disclosure. Anyone submitting business confidential information should clearly identify the business confidential portion of the submission and also provide a non-confidential submission that can be placed in the public file. Communications from agencies of the United States Government will not be made available for public inspection.

The public record concerning this notice will be maintained in the Bureau of Export Administration's Records Inspection Facility, Room 4525, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230, telephone (202) 482-5653. The records in this facility may be inspected and copied in accordance with the regulations published in Part 4 of Title 15 of the Code of Federal Regulations (15 CFR 4.1 et seq.).

Information about the inspection and copying of records at the facility may be obtained from Ms. Margaret Cornejo, the Bureau of Export Administration's Freedom of Information Officer, at the above address and telephone number.

Dated: September 26, 1996.

John A. Richards,

Deputy Assistant Secretary for Strategic Industries and Economic Security.

[FR Doc. 96-25156 Filed 10-1-96; 8:45 am]
BILLING CODE 3510-DT-P

MK 98-2/1

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS
WASHINGTON, D.C. 20230

BUREAU OF
EXPORT
ADMINISTRATION

FOR IMMEDIATE RELEASE
October 2, 1996
BXA - 96 - 24

Contact: Eugene Cottilli
Susan Hofer
(202) 482-2721

COMMERCE/STATE JOINT COMMITTEE REQUESTS PUBLIC COMMENT ON THE POTENTIAL MARKET IMPACT OF PROPOSED STOCKPILE MATERIAL SALES

(WASHINGTON) - The National Defense Stockpile Market Impact Committee (the Committee), co-chaired by the Departments of Commerce and State, today published a Federal Register Notice (61 FR 51403, October 2, 1996) seeking public comment on the market impact of the Department of Defense's (DOD) proposed sale of excess materials from the National Defense Stockpile.

The Committee provides advice to DOD on the projected domestic and foreign economic effects of all acquisitions and disposals of materials from the Stockpile that are to be included in an Annual Materials Plan (AMP). The AMP must be approved by Congress. The Committee is now considering DOD's proposed FY 1998 AMP and revisions to the FY 1997 AMP. Public comment on these proposals, reprinted below, must be received by November 1, 1996 for the Committee to fully consider them as it reviews the proposed AMP.

Under the authority of the Strategic and Critical Materials Stock Piling Act, as amended, DOD maintains a stockpile of strategic and critical materials to supply the military, industrial, and essential civilian needs of the United States for national defense. In selling and acquiring Stockpile materials, DOD has a statutory obligation to refrain from causing undue market disruption, while at the same time protecting the U.S. Government against avoidable loss.

Included with the AMP listing of materials below are the proposed maximum disposal quantities for each material. These quantities are not sales target disposal quantities. They are only a statement of the proposed maximum quantity of each material that can be sold during a particular fiscal year. The quantity of each material that will actually be offered for sale will depend on the market for the material at the time as well as on the quantity of material approved for disposal by the Congress.

Also reprinted below is a list of new materials presently under consideration by the Congress for disposal authority in both FY 1997 and FY 1998. The Committee is seeking public comment on the potential market impact of the sale of these materials in the event that Congress does grant such disposal authority.

- more -

MIC98-2/2

To obtain a copy of, or more information about, the Federal Register Notice, please contact either Richard V. Meyers, Office of Strategic Industries and Economic Security, U.S. Department of Commerce, Tel. (202) 482-3634 or FAX (202) 482-5650; or Richard Watkins, International Commodities Division, U.S. Department of State, Tel. (202) 647-2871 or FAX (202) 647-8758; co-chairs of the National Defense Stockpile Market Impact Committee).

- 30 -

MIC98-2/3

PROPOSED FISCAL YEAR 1998 AMP

Material	Units	Current FY 1997 (Effective 10-1-96) Quantity	Proposed FY 1998 Quantity
Aluminum Oxide, Abrasive	ST	6,000	6,000
Aluminum Oxide, Fused Crude	ST	30,000	30,000
Analgesics	AMALB	2,500	2,500
Antimony	ST	3,000	3,000
Asbestos (all types)	ST	20,000	20,000
Bauxite, Metallurgical (Jamaican)	LDT	600,000	600,000
Bauxite, Metallurgical (Surinam)	LDT	300,000	300,000
Bauxite, Refractory	LCT	80,000	80,000
Beryl Ore	ST	2,000	2,000
Bismuth	LB	300,000	300,000
Cadmium	LB	1,200,000	1,200,000
Celestite	SDT	3,600	3,600
Chromite, Chemical	SDT	100,000	100,000
Chromite, Metallurgical	SDT	250,000	250,000
Chromite, Refractory	SDT	100,000	100,000
Chromium, Ferro	ST	25,000	50,000
Diamond, Bort	CT	1,000,000	1,000,000
Diamond Dies, Small PCs	PC		25,473
Diamond Stone	CT	2,000,000	2,000,000
Fluorspar, Acid	SDT	100,000	180,000
Fluorspar, Metallurgical	SDT	150,000	50,000
Graphite, Natural Malagasy	ST	1,220	1,220
Iodine	LB	450,000	450,000
Jewel Bearings	PC	31,000,000	31,000,000
Kyanite	SDT	1,200	1,200
Lead	ST	60,000	60,000
Manganese, Battery Grade Natural	SDT	60,000	20,000
Manganese, Battery Grade Synthetic	SDT	3,011	3,011
Manganese, Chemical Grade	SDT	40,000	40,000
Manganese, Ferro Alloys	ST	50,000	50,000
Manganese, Metal Electrolytic	ST	2,000	2,000
Manganese, Metallurgical Grade	SDT	400,000	250,000
Mercury	FL	20,000	20,000
Mica (All Types)		2,260,000	2,260,000
Mica, Muscovite Block	LB		
Mica, Muscovite Film	LB		
Mica, Muscovite Splittings	LB		
Mica, Phlogopite Splittings	LB		
Nickel	ST	10,000	10,000
Quinidine	Av Oz	200,000	750,000
Quinine	Av Oz	200,000	750,000
Sebacic Acid	LB	1,000,000	1,000,000
Silicon Carbide	ST	4,500	9,000

MIC98-2/4

Silver (for coinage)	Tr Oz	9,000,000	9,000,000
Talc	ST	1,000	1,000
Thorium Nitrate	LB	1,000,000	1,000,000
Tin	MT	12,000	12,000
Vanadium Pentoxide	ST V	200	200
Vegetable Tannin Extract, Chestnut	LT	5,000	7,500
Vegetable Tannin Extract, Quebrac.	LT	5,000	10,000
Vegetable Tannin Extract, Wattle	LT	5,000	10,000
Zinc	ST	50,000	50,000

PROPOSED REVISIONS TO FISCAL YEAR 1997 AMP

Material	Units	Quantity
Chromium, Ferro	SDT	35,000
Diamond Dies, Small Pcs	CT	25,473
Fluorspar, Acid Grade	SDT	180,000
Fluorspar, Metallurgical	SDT	50,000
Quinidine	Av Oz	750,000
Quinine	Av Oz	750,000
Silicone Carbide	ST	9,000
Vegetable Tannin Extract, Chestnut	LT	7,500
Vegetable Tannin Extract, Quebrac.	LT	10,000
Vegetable Tannin Extract, Wattle	LT	10,000

PROPOSED NEW MATERIAL DISPOSAL AUTHORITY FOR FY 1997 AND FY 1998

Material	Units	FY 1997 Quantity	FY 1998 Quantity
Aluminum	ST	62,881	62,881
Cobalt	LBCO	6,000,000	6,000,000
Columium, Ferro	LBCB	60,000	100,000
Germanium	KG	4,000	4,000
Indium	TROZ	35,000	35,000
Palladium	TROZ	15,000	1,000
Platinum	TROZ	10,000	10,000
Rubber	LT	125,000	125,000
Tantalum Carbide Powder	LBTA	2,000	2,000
Tantalum Minerals	LBTA	100,000	100,000
Tantalum Oxide	LBTA	20,000	20,000

 MIC98-31

INTERSTAR MINING GROUP INC.

SUITE 1240 • 70 YORK STREET • TORONTO • ONTARIO • CANADA • M5J 1S9
Telephone (416) 368-4440 • *Telecopier* (416) 865-1382

DATE: 21 October 1996

TELECOPY MESSAGE

TO: MR. RICHARD MEYERS; MARKET IMPACT COMMITTEE; STOCKPILE SALES
Department of Commerce; BXA/OIRA; Room H3876

YOUR FAX NO.: 202-482-5650

INTERSTAR FAX NO.: 416-865-1382 (Phone: 416-368-4440)

REF: Market Impact Committee; Manganese Ore & Alloy Stockpile Sales

NUMBER OF PAGES (including this cover sheet): 2

TRANSMITTAL BY: S. Donald Moore, President.

Gentlemen:

This representation is in reference to the proposed stockpile sales of up to 280,000 tonnes of manganese ore, plus ferromanganese, into established markets.

InterStar Mining's exclusive business is the mining and transport of manganese ore to world markets from a remote deposit in northeastern Burkina Faso. InterStar's operations are the primary, even exclusive, economic activity in this largely undeveloped region. Our mine supports considerable local employment and is instrumental in fostering improvements in the region's presently primitive transportation infrastructure. Without our support of the road and railway system, other local economic activity, primarily subsistence agriculture and livestock production, would be seriously disadvantaged.

The United States is a relatively minor market for manganese ore. The proposed stockpile sales will impact upon Atlantic Basin markets in competition with InterStar's recently inaugurated Burkina Faso mining activity. The proposed stockpile sales will directly compete with, and substantially damage, several Third World economies (including Brazil and Gabon).

Substantial additional global manganese market impact particulars can readily be provided to the Committee. With the current worldwide manganese and alloy markets generally weak and price-depressed, the proposal is certainly not timely. The foreseeable Treasury proceeds from the current disposal of this strategic resource will be modest indeed.

It is respectfully suggested that the Market Impact

.../2

MTC98-3/2

Market Impact Committee/21 October 1996

Committee reconsider these proposals in the light of their deleterious effect on several developing economies and the indicated modest financial returns.

Yours very truly,

S. Donald Moore,
President.

MIC 98-4

SAVAGE

SAVAGE ZINC, INC.
P.O. BOX 1104
CLARKSVILLE, TN 37041-1104
TELEPHONE 615-552-4200
FACSIMILE 615-552-0471

October 18, 1996

Mr. Richard V. Meyers, Co-Chair
Stockpile Market Impact Committee
Office of Strategic Industries and Economic Security
Room 3876, U. S. Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, DC 20230

Dear Mr. Meyers:

I wish to comment on the proposed disposal of zinc and germanium from the National Defense Stockpile under the FY 1998 Annual Materials Plan (AMP) and revisions to the FY 1997 AMP.

Zinc

Savage Zinc has consistently requested that 35,000 to 40,000 tons of zinc be sold from the stockpile irregardless of market conditions. Sales of this magnitude will not disrupt a market of 1.1 million tons per year. Selling at this rate would have disposed of the stockpile in ten years. To date sales have been much less with little benefit to anyone. I urge you to tell the market what your intentions are and then do it.

Germanium

Sales of 4,000 kg of germanium per year at today's prices are clearly in the best interest of U.S. taxpayers, of whom I am one. Please get on with the program before the price goes down.

Sincerely,

David Rice
President and CEO

DEPARTMENT OF PRIMARY INDUSTRIES AND ENERGY
COAL AND MINERAL INDUSTRIES DIVISION GPO Box 858 Canberra ACT 2601 AUSTRALIA
Edmund Barton Building Barton ACT 2600

Richard V. Meyers
Co-Chair
Stockpile Market Impact Committee,
Office of Strategic Industries and Economic Security
Room 3876
U.S. Department of Commerce
14th Street and Constitution Avenue
N.W. WASHINGTON D.C. 20230

Dear Mr Meyers

I wish to respond to the invitation to provide comment to the National Defense Stockpile Market Impact Committee on the market impact of the proposed sale of tantalum from the United States Defense Logistics Agency stockpile of excess materials.

Australia considers that restricting releases of all tantalum (Ta) product forms to releases of around 100,000 lbs each year would achieve the objective under the Defence Authorisation Bill of preventing undue market disruption from DLA sales.

The tantalum market has moved broadly into balance during 1996, with world supply and consumption of around 2.6 million lbs. There has been no significant growth in Ta demand since 1980 although several demand peaks have occurred, most recently in 1995 as a result of growth in the electronics industry. Should this growth be sustained, the world Ta market could absorb DLA releases of around 100,000 lbs each year, representing 3%-4% of supply, with relatively minor disruption to the world market and to Australian investment in new long term tantalum resources.

Australia is the world's largest producer of tantalum, most from a hardrock resource, accounting for around 50% of world new mine production in 1995. Australia supplies around 26% of US tantalum imports.

Australia's request could be readily accommodated within the authorisation under Section 3302 of the Defence Authorisation Bill (DAB) for the release of up to 796,000 lbs of tantalum in the seven year period to 2003.

MIC98-5/2

Of great concern to Australia is the authorisation under Section 3303 of the DAB for the release of up to 1,895,326 lbs of Ta in the 9 years to 2005. The release of this amount of tantalum would, in our view, cause significant disruption to the markets of producers, processors and consumers.

Attached is supporting information on the Australian industry and on the world tantalum market.

Yours sincerely,

Don Banfield
Assistant Secretary
Minerals Branch

31 October 1996

Enc/ Attachment 1: Australian Tantalum Industry
Attachment 2: Paper by John Lindum entitled "Tantalum Raw Material Supply" presented to the Tantalum Producers International Study Centre (TIC) Conference in Goslar in 1995.

MIC98-5/3

Attachment 1

Australian Tantalum Industry

Australia's Gwalia Consolidated Ltd is the world's largest producer of tantalite concentrate. Gwalia owns and operates the Greenbushes tin/tantalum deposit and the Wodgina deposit in Western Australia and is in the process of exploring for and developing new resources.

After 10 years of declining Tantalum production (as a by-product from tin mining and smelting), Gwalia made a significant invesment in developing long term production of tantalum from a hard rock resource. This investment was undertaken to enable Gwalia to enter into long term contracts and to help stabilise primary production of Tantalum.

Gwalia produces annually some 600,000 lbs Ta accounting for around 25% of total world production and around 50% of world mine production.

Gwalia has long term export contracts with processors in the United States and Germany. It has forecast mill production at its Greenbushes plant to increase by around 5% per annum. DLA releases well in excess of 100,000lbs per year would adversely impact on future contract prices for this additional production and jeopardise the bringing on stream of new production capacity.

Market Developments

After several years (1992-1995) when consumption outstripped supply, the tantalum market has moved broadly into balance during 1996.

There has been no significant growth in Tantalum demand since 1980 which has varied from a low of 2 million lbs to a high of 2.6 million lbs. There was a surge in demand in the first half of 1995 related to growth in the electronics industry. Existing production and other Ta sources are able to meet current world demand of around 2.6 million lbs with the capacity to meet some increase in demand growth.

Production and use

Tantalum is a hard white metal highly resistant to heat and acids. Australia produces tantalite, a heavy black mineral containing around 78% tantalum by weight. Tantalite (used for tantalum production) is produced from both primary ore and as a by-product of tin smelting.

Tantalum's main end use is in the electrolytic capacitor industry and around 50% of all tantalum is consumed by electronics applications. Global demand for tantalum concentrates is primarily driven by the use of tantalum capacitors in hand-held electrical items, such as mobile phones, video cameras and lap top computers. Aluminium and ceramics in capacitors, silicon, germanium and selenium in rectifiers and zirconium and titanium in electronic tubes are examples of substitutes for tantalum in particular applications.

MIC98-5/4

AUSTRALIAN SUBMISSION TO STOCKPILE MARKET IMPACT COMMITTEE
ATTACHMENT 2.

TANTALUM RAW MATERIAL SUPPLY

John Linden

Gwalia Consolidated Ltd
16 Parliament Place, West Perth
Western Australia 6005

Tantalum raw material supply and availability has undergone significant changes over the past seven years since the last time I addressed this subject in Orlando in 1988.

The changes that have developed include an almost elimination of tantalum bearing tin slags as a by-product from tin smelting operations, the development of significant new hard rock primary tantalite mines in Australia, the significant increase in recycling of tantalum units by the processing industry and the changes in the supply and demand balance in the CIS and China.

Supply from unsophisticated operations in Africa and Brazil is difficult to quantity but is a significant proportion of total supply to processors.

Inventories of low grade slags and synthetic concentrates continue to make up the primary supply and demand imbalance.

MIC98-5/4

CONTENTS

SUMMARY

Tantalum supply has been in excess of demand for the majority of the past 20 years, the significant exception being in 1980 when a perceived shortage lead to a real price increase resulting in a significant over-supply for the next 10 years.

Tantalum demand has been remarkably consistent and steady over a long period of time with no real growth in demand since 1980. Fluctuations in demand due to world economic conditions have generally seen demand vary from a low of 2.0 m lbs Ta to a high of 2.6 m lbs of Ta in all end product forms.

Peaks in demand occurred in 1980, 1984, 1988 and now 1995.

The supply side of tantalum has gone through major structural changes during this period and it is necessary to understand the reasons for these changes.

Traditionally tantalite has been produced as a by-product or co-product from tin mining and tin smelting and as a collector mineral from a large number of diverse small operators in developing countries.

Until relatively recently, there was no dedicated capital invested in primary production infrastructure and no large mining companies were involved in the business.

This situation existed until 1990 when, as a result of 10 years of declining tantalum production as a by-product from tin mining and smelting, a significant capital expenditure was undertaken by Gwalia to ensure a long term base load production of tantalum from a large hardrock resource.

This commitment to capital expenditure was able to be undertaken because Gwalia, together with two of the major processors, entered into long term contracts to underwrite the development and stabilise the primary production side of the industry.

The strategy adopted has been successful, with tantalum raw material prices remaining remarkably stable during the past 5 years.

The tantalum industry has seen a surge in demand during the first half of 1995 related to the growth in the electronics industry. The extra demand required by this industry is now working its way down the supply line to the raw material producers. Additional production capacity will need to be brought on stream during the next several years if this demand increase is sustained.

PROCESSOR DEMAND

Demand for tantalum units is recorded and published by the TIC as tantalum industry statistics on a quarterly basis. The statistics for demand are considered reliable and reflect real usage because all processors are members of the TIC and report shipments of finished products to customers.

The consensus among all reporting companies is that total TIC reported processor shipment statistics now accurately reflect the industry demand.

The processor shipments are reported in lbs Ta metal content in various product categories.

Processor shipments are reported in 1994 to be 2.3 million lbs Ta and shipments for 1995 are expected to be up sharply at 2.6 m lbs Ta.

While there is some chance that processor shipments may incorporate some end user and pipeline inventory build-ups or rundown, the figures presented in this paper reflect reasonably the actual supply and demand relationship for the industry from 1993 to 1995.

Table 1

Processor Shipments
000's lbs Ta

	1993	1994	1995(e)
Ta_2O_5/K_2TaF_7	288	140	214
TaC	218	255	313
Ta Powder	1,039	1,086	1,184
Mill Product	375	430	460
Ingot Metal	358	332	380
Totals	2,278	2,243	2,551

The higher Ta_2O_5/K_2TaF_7 shipments in 1993 includes deliveries to the Defence Logistics Agency in the USA under their procurement programme.

The 1995 estimates are arrived at by annualising the first quarter's TIC statistics. On indications from second quarter demand, this estimate is expected to be on the low or conservative side for the year.

Since 1993 two processors in China and one in Kazachstan have become members of the TIC and the Chinese companies are reporting both Processor Receipts and Shipments.

Market Share

The Industry Demand of 2.3 m lbs Ta in 1994 is estimated to be divided among the processors according to Table 2. China and countries of the CIS have been excluded because reliable data for domestic consumption in those countries is not available. The market shares of the carbide and mill product categories are reasonably well defined with industry experts estimating the powder/anode and melt stock categories.

Table 2

Processor Market Share by Product - 1994
000's lbs Ta

Processor	Powder/ Anode	Mill Product	Melt Stock	Carbide Oxide/K_2	Total
H C Starck	400	150	120	250	920
Cabot	600	150	130		880
VMC / Plansee		100	52		152
Thai Tantalum	50				50
China	36				36
Metallurg				30	30
Treibacher				50	50
Mitsui				65	65
Ulba		30	30		60
Total	1,086	430	332	395	2,243

Tantalum raw materials are processed by Starck, Cabot and Thai Tantalum into K_2TaF_7 and Ta metal powders and Metallurg and Mitsui have small tantalum oxide production facilities.

PROCESSOR RECEIPTS

Processor receipts are recorded by the TIC statistics and include incoming Ta units by all processors. The categories reported cover the primary raw materials such as tantalite concentrates, columbites, struverites, tin slags and synthetic concentrates and secondary materials including recycle, scrap, residues, tantalum pentoxide, K-salt and metal products.

The TIC statistics for these receipts have only become reliable in the past 12 months with prior years incorporating many mis-reportings and inaccuracies.

The first and cheapest units available to the processing industry are recycle materials generated internally during processing, followed closely by scrap generated by other sections of tantalum manufacturing industries and returned to processors as part of new delivery contracts.

Ta units are generated by all processors in the normal course of production of various tantalum products. These units are recycled internally to earlier parts of the process stream and add to available input units for new product production.

In addition, scraps and residues are generated from other product manufacturers such as capacitor producers, superalloy producers and hard metal scrap reprocessors.

It is estimated that approximately 25% of processor shipments are returned as recycle raw material input to processors.

The next most available Ta units to processors are the K-salt and oxides derived from China and the CIS from either conversion contracts or sale.

The conversion of struverite sourced in Malaysia and Thailand by Chinese processors has been going on for some time and continues to add to the processor supply base.

Recycle Materials:	•	Processor Internal
	•	Scrap Returns
	•	Residues
Secondary Materials:	•	Ta_2O_5/K_2TaF_7/Metal
Primary Materials:	•	Tin Slags
	•	Columbite/Struverite
	•	Tantalite Concentrates
Inventories:	•	WIP Stocks
	•	Synthetic Concentrates

Processors source tantalum containing raw materials based on the lowest cost. Under normal circumstances, cost of raw materials to processors increases as the tantalum content of the starting material decreases.

Increasing Cost ↓	Recycle
	Scrap
	Secondary Materials
	Columbite/Struverite
	Tin Slags
	Alluvial Tantalites
	Synthetic Concentrates
	Hard Rock Tantalites

From Recycle and Secondary Materials

Processor demand is all measured in units of Ta contained in product. Processor receipts, however, come as units of Ta in recycle and secondary materials and units of Ta_2O_5 in primary raw materials.

The receipts in the form of Ta can generally be incorporated into other products without significant processing losses.

Primary tantalites and tin slags come in the form of Ta_2O_5 and incorporate a processing loss and recovery factor which is assumed to be 95%.

Table 3

Processor Receipts - From Recycle and Secondary Materials
000's lbs

	Unit	1993	1994	1995
Processor Demand	Ta	2,278	2,243	2,551
Less:				
Recycle -				
Capacitor Powder Scrap	Ta	240	240	250
Mill Product Scrap	Ta	60	70	80
Residue (Hard Metal)	Ta	100	120	120
Intermediates -				
K-salt China	Ta	50	50	50
Oxide China	Ta	50	50	30
Oxide Russia	Ta	50	80	50
Oxide Brazil	Ta	50	60	80
Total		600	670	660
Required from Primary Sources	Ta	1,678	1,573	1,891
Equivalent to	Ta_2O_5	2,148	2,013	2,420

From Primary Materials

Receipts of tantalum raw materials should be divided into those with >10% Ta_2O_5 which can be used in direct feed to solvent extraction plants and those with less than 10% Ta_2O_5 but more than 2% Ta_2O_5 which need to be smelted to form a synthetic concentrate.

The direct feed raw materials consist of tantalite concentrates, columbites, high grade tin slags and synthetic concentrates.

The feed for synthetic concentrate production consists essentially of low grade tin slags containing less than 10% Ta_2O_5 and struverites containing less than 15% Ta_2O_5.

Available production statistics do not separate between direct feed and low grade slags so the information must be obtained from various countries' import and export statistics.

Table 4

Processor Receipts - From Primary Materials (>10%) Ta_2O_5)
000's lbs Ta_2O_5

	1993	1994	1995e
Required from Primary Sources	2,148	2,013	2,420
Less:			
Africa	250	220	200
Australia	540	590	700
Brazil	130	155	150
Canada	40	40	50
China	30	90	20
Kazachstan	10	17	20
Thailand	160	200	200
Other	50	50	50
Total Receipts	1,210	1,362	1,390
Required from Inventory	938	651	1,030

From Inventories

Synthetic tantalum concentrates are produced by Starck at their Laufenberg operations and can be produced by Metallurg at Weisfaller, both in Germany.

The synthetic concentrates are produced from low grade tantalum containing tin slags and struverites containing from 2 to 15% Ta_2O_5

The two stage smelting process produces a tantalite containing a mimimum 25% Ta_2O_5 which is then used as normal feed to the solvent extraction process.

Production of synthetic concentrates is contributing some 500,000 - 700,000 lbs Ta_2O_5 per annum to processor receipts. The production capacity is limited by the size of the operating furnaces and by the grade and availability of the low grade slags required as feed.

Current production of low grade tantalum containing tin slags has stopped in the Malaysian smelters because of the unavailability of the tantalum containing tin concentrates.

Production of synthetic concentrates continues from previously produced and stockpiled quantities of low grade tin slags.

Identified resources of low grade tin slags include:

1. Straits Trading Company, Malaysia

   20,000 tonne of 3.0% Ta_2O_5 containing 1.3 m lbs Ta_2O_5
   20,000 tonne of 2.0% Ta_2O_5 containing 0.8 m lbs Ta_2O_5

2. Paranapanema, Brazil

   40,000 tonne of 1.8% Ta_2O_5 containing 1.6 m lbs Ta_2O_5

3. Processor Inventories

   10,000 tonne @ 3.5% Ta_2O_5 containing 0.75 m lb Ta_2O_5

4. Singapore, Thailand, Malaysia landfill dumps of low grade slags

The issues involved in production of synthetic concentrates are essentially economic.

As lower and lower grades of tantalum containing tin slags need to be processed, the tantalum recovery decreases and the energy consumption increases per unit of production.

Production capacity of existing facilities also becomes an issue.

Production of low grade tantalum containing tin slags now occurs only in Brazil from tin concentrates mined by Paranapanema at the Pitinga deposit and smelted at company owned facilities in Sao Paulo.

Table 5

Processor Receipts - From Inventory Reduction
000's lbs Ta_2O_5

	1993	1994	1995
Required from Inventory	938	651	1,030
Less:			
Synthetic Concentrates	500	600	700
Inventory Reduction	438	51	330

TANTALUM RAW MATERIAL SUPPLY

The TIC primary production statistics have been understating the production and availability of tantalite raw materials for the past 20 years.

While the statistics include production numbers from all producer members of the TIC, the problem is that a large percentage of production comes from non-members.

Specifically, the production from African countries collected from a large number of small producers and sold to traders is not included in the TIC production statistics.

The same is true for a proportion of the production from Brazil and also for Thailand and Malaysia for material sent to China for conversion.

Tantalum raw material supply comes from recycle, intermediates, new mine production, synthetic concentrates and inventory drawdown.

Table 6 shows the relative contributions of the different sources to the total supply base.

Contributions from recycle has been reasonably stable but is scheduled for a significant increase with the establishment of residue pond recycling facilities by major processors.

These residue recycle operations have the potential to supply from 200,000 to 400,000 lbs Ta per annum for the next 5 years.

Intermediate products are likely to continue to increase but probably at the expense of concentrate exports or only as a result of increased conversion business.

Synthetic concentrate production will continue to be a major contributor to the supply base while low grade slags and other raw materials remain available.

With current production of these products reducing, synthetic concentrates are now being produced from inventoried low grade slags.

New mine production is increasing and will continue to increase to meet the requirements of the processing industry. As the easiest to mine alluvial deposits are worked out, the industry has developed more hard rock sources of tantalite.

The Tanco mine in Canada was the first development, followed by Metallurg's operation in Brazil. PanWest invested new capital in a hard rock processing plant in Australia in 1988 and Greenbushes followed with its major expansion in 1992.

Since then, only Ethiopia has established new production capacity on a pilot plant basis.

Table 6

Tantalum Total Supply
000's lb Ta_2O_5 Content

Country	Recycle	Inter-mediates	Primary Production			Synthetic Concentrates	Total Supply	Potential Capacity 3-5 Yrs
			Concen-trates	Tin Slags	Other			
Australia			600	100			700	850
S E Asia			50	100	50		200	300
Africa			200		50		250	350
Nth America	250		50				300	700**
Sth America		80	150				230	350
Europe	250		10			500*	760	760***
CIS (Exports)		100					100	200
China (Exports)		80	50				130	100
Total	500	260	1110	200	100	500	2,670	3,610

* From Low Grade Slag Inventories

** Will increase by 200,000 lb/y from 1997 from Processors' residue ponds.

*** Will decrease when Low Grade Slags run out for Synthetic Concentrate Production
Potential capacity is subject to Capital Expenditure

Tantalum Mine Production

Africa **Actual 250,000 lbs Ta_2O_5 Capacity 335,000 lbs Ta_2O_5**

Tantalite is produced from low cost alluvial and elluvial mining operations in Rwanda, Burundi, Zaire, Zimbabwe and Nigeria and from hard rock mining in Ethiopia, Zaire and South Africa.

It is difficult to tell where the material is actually produced because it will be transported across borders and exported from whichever country has the best access.

The material is collected by traders and sold to major processors. The main trading companies are A & M Metals and Sogem.

Production statistics show annual total production at some 150,000 to 200,000 lbs depending on politics, riots and weather conditions. The resource base is large and could sustain higher production levels if investment was forthcoming.

Australia **Actual 700,000 lbs Ta_2O_5 Capacity 850,000 lbs Ta_2O_5**

Between Gwalia and PanWest Tantalum, annual production is running at approximately 700,000 lbs Ta_2O_5 per annum in concentrates and high grade tin slags. There are a number of other potential resources that could be developed if prices justified the development costs.

Brazil **Actual 150,000 lbs Ta_2O_5 Capacity 350,000 lbs Ta_2O_5**

The Metallurg owned Mibra mine produces 80,000 lbs Ta_2O_5 per annum in the form of tantalite concentrates and 50,000 lbs per annum in the form of high grade tin slags. Garimpero activity contributes a further 100,000 lbs. A significant part of Metallurg's production is further processed in Brazil and exported as the oxide.

The potential of Brazil is probably a sustainable 300,000 lbs Ta_2O_5 per annum.

Paranapanema produces a tin slag and mixed columbite concentrate both with low Ta_2O_5 and high radioactivity. Total annual production contains some 100,000 lbs of Ta_2O_5 which is currently not being used and is uneconomic and therefore not included in current production statistics.

Canada **Actual 50,000 lbs Ta_2O_5 Capacity 250,000 lbs Ta_2O_5**

The Tanco mine owned by Cabot is currently producing only from tailings at 40,000 lbs Ta_2O_5 per annum.

When mine production starts up again, sustainable production will be at the rate of 200,000 to 250,000 lbs per annum for a period of 5-10 years.

Malaysia **Actual 50,000 lbs Ta_2O_5 Capacity 50,000 lbs Ta_2O_5**

There is no current on-going production of 3% Ta_2O_5 tin slags due to a decline in the Malaysian tin industry. On the depletion of current low grade slag stockpiles, on-going feed for Starck's Laufenberg synthetic concentrate production may become a problem unless the high radioactivity slags in Brazil can be utilised.

Struverite is still produced from the retreating of Amang at an annual rate estimated at 50,000 lbs of Ta_2O_5 per annum.

Thailand **Actual 150,000 lbs Ta_2O_5 Capacity 250,000 lbs Ta_2O_5**

Thailand produces natural tantalite concentrates from some small primary mines as well as tantalite and struverite from Amang treatment operations.

Annual production is estimated at a sustainable 100,000 lbs Ta_2O_5.

The Thaisarco smelter produces tin slags containing 15-20% Ta_2O_5 but total annual production has dropped significantly to a current sustainable level of 100,000-150,000 lbs per annum. All of Thaisarco's production is processed in Thai Tantalum's facilities at Map Ta Phut.

China **Actual Exports 65,000 lbs Ta_2O_5 Export Capacity 50,000 lbs Ta_2O_5**

China has at least 5 producing tantalite mines and at least 7 processing facilities located in different provinces throughout China.

China both exports and imports tantalite concentrates, depending on the level of local production and internal demand.

Total mine production is estimated at 250,000 lbs of Ta_2O_5 per annum and in 1994 exports amounted to 65,000 lbs. In future years, China is expected to become a net importer of tantalum raw materials but may continue to be an exporter of tantalum intermediates and finished products.

CIS

Kazachstan has some tantalite mine production but production is small and exports non-existent.

The CIS exports some intermediate and finished tantalum products but is not expected to be an exporter of tantalum raw materials.

Other **Actual 20,000 lbs Ta_2O_5 Capacity 50,000 lbs Ta_2O_5**

There is some production from Portugal and Venezuela and production could be increased, especially in Venezuela and Bolivia, with a concerted exploration and development effort.

Potential Supply

Mozambique

Production from Mozambique stopped almost 15 years ago because of political instability. There is a resource that could be developed into production.

Ethiopia

Production from the Ethiopian Mineral Resources Department is included in the production statistics from Africa. Investment is currently being sought to increase capacity. It is estimated that the resource base can probably substantiate a production rate of 100,000 lbs per annum, up from the current 50,000 lbs Ta_2O_5.

Africa

The countries of Rwanda, Zaire, Burundi and Zimbabwe have large identified resources of near surface eluvial tantalite deposits. The resources have not been fully explored and delineated and have not been developed.

This situation has been in existence for the past 20 years.

Development funds are not available because of the inherent political and country risk problems for any foreign investor.

South America

Resources have been identified in Venezuela, Bolivia and Brazil and limited development work commenced on some deposits.

Table 7

Primary Raw Material Supply
lbs Ta_2O_5

	1993	1994(est)	Capacity
Africa			
Burundi	35,000	50,000	50,000
Ethiopia	40,000	40,000	60,000
Namibia	5,000		
Nigeria	40,000	20,000	30,000
Rwanda	100,000	50,000	50,000
South Africa			10,000
Uganda			5,000
Zaire	30,000	10,000	30,000
Zimbabwe		50,000	100,000
Australia			
Gwalia	330,000	390,000	600,000
PanWest	180,000	170,000	200,000
Prima	30,000	30,000	50,000
Canada			
Tanco	40,000	40,000	250,000
China	30,000	90,000	
CIS			
Kazachstan	6,000	10,000	50,000
Russia	2,000	5,000	
Estonia	2,000	2,000	
South America			
Brazil	130,000	150,000	300,000
Venezuela		5,000	50,000
Thailand			
Thaisarco	100,000	150,000	200,000
S A Minerals	40,000	40,000	50,000
Traders	20,000	10,000	30,000
Other	50,000	50,000	50,000
Synthetic Conc			
Starck	350,000	400,000	500,000
Total	1,560,000	1,762,000	2,665,000

COST OF PRODUCTION

The cost of production of tantalum raw materials has been increasing steadily over the past 15 years.

As a greater percentage of the required units have to be sourced from hard rock tantalite mines rather than from tin mining and smelting, and as the near surface alluvial deposits become depleted, this trend will continue.

Tantalum supply from hard rock mining now accounts for almost 50% of total primary production and almost 25% of total supply.

The first hard rock tantalite mine was Tanco in Canada, followed by Metallurg in Brazil and then the Australian operations of PanWest Tantalum and Gwalia Consolidated Ltd. The most recent operation to come into production was in Ethiopia.

The cost of production of hard rock tantalite mines depends largely on the grade of tantalum in the ore and the mining method employed.

Underground operations are generally more costly than open cut but higher grades can off-set this. Typical grades for producing mines are Tanco 1,000 ppm, Metallurg 700 ppm, PanWest 600 ppm, Gwalia 400 ppm. The hard rock mines in China operate at levels of 150 ppm Ta_2O_5.

Other factors that influence cost are the recovery levels achievable, the co-products available and the inherent associated impurities in the orebody and the final product.

As processor demands increase for higher quality concentrates so the degree of processing and cost of production increases.

Radioactivity is probably the single most important impurity from a cost of production point of view. As international transport regulations and domestic waste disposal regulations become stricter, these costs will continue to increase.

Cost of production from hard rock tantalite mines has risen from the USD30 per lb level to nearer the USD40 per lb level over the past 5 years and will continue to increase as lower and lower resources need to be developed.

TANTALUM INVENTORIES

Primary Producer Stocks **0.2 m lbs Ta_2O_5**

Tantalite Concentrates

Current stocks of tantalite concentrates in the hands of producers are at normal levels, with most significant producers having entered into term contracts which require continuous deliveries.

Some build up of stocks has occurred during the last 6 months in Africa because of physical transportation problems due to civil unrest.

Trader activity has increased somewhat and some stocks would be in traders' hands.

Total of all producer and trader inventories above normal working levels is estimated at 200,000 lbs Ta_2O_5.

Low Grade Tin Slags **3.5 m lbs Ta_2O_5**

Straits Trading Company owns a stockpile of low grade tin slags located at Butterworth in Malaysia. The slags were accumulated during the late seventies and early eighties.

The stockpile contains some 30,000 to 40,000 tonnes, with grades ranging from 2-3% Ta_2O_5.

Paranapanema in Brazil has a stockpile of low grade tin slags located at its Sao Paulo smelter. The smelter is still producing low grade slags and accumulated stocks now amount to some 40,000 tonne.

The estimated grade is less than 2% Ta_2O_5 with higher levels of Nb_2O_5 and some radioactivity content.

Processor Stocks **2.5 m lbs Ta_2O_5**

Major processor inventories are generally kept at the level of 6 to 9 months' requirements.

The exceptions to this position are the low grade tin slags which are required for synthetic concentrate production and the high grade tin slags produced by Thaisarco in Thailand.

The low grade tin slags have been accumulated by Starck for its Laufenberg operations over the past several years. Current stocks are estimated to be sufficient for at least 2 years' synthetic concentrate production.

The higher grade slags produced by Thaisarco have been accumulated by Thai Tantalum for use in their Map Ta Phut K-salt production facility. At the time of acquisition, there were some 500,000 lbs of Ta_2O_5 and significant levels of stock remain.

Other smaller processors, such as Metallurg, Mitsui Mining and Smelting and Treibacher, carry sufficient stocks for between 6 and 12 months' production.

Government Stockpiles **2.5 m lbs Ta_2O_5**

The US Government Defence Logistics Agency carries an inventory of 2.5 m lbs of Ta_2O_5 in the form of tantalite concentrates and a further 1 m lbs Ta_2O_5 in the form of intermediate and finished products.

Historically, the DLA has had a goal of more than double actual stocks. No acquisitions have been made in recent times and no disposals have been made for a very long time. Recent publications suggest that USA strategic stockpiles are no longer required and that all stockpiled materials will be sold.

Russia also carries a tantalum strategic stockpile but quantities and disposal or acquisition policies are unknown.

Manufacturers Stock

Stocks of finished products in the hands of manufacturers are estimated to be below desirable levels. This situation has arisen as a result of demand increasing during 1995, resulting in lengthening delivery lead times.

Table 8

Inventory Summary

Owner	Product	Contained lbs Ta_2O_5
Straits Trading Co	3% Slag	1.3 m
Straits Trading Co	2% Slag	0.8 m
Paranapanema	1.8% Slag	1.6 m
Thai Tantalum	17% Slag	0.5 m
Starck	3.5% Slag	1.0 m
Processors	30% Conc	1.6 m
DLA	25% Conc	2.5 m

FUTURE SUPPLY

Current levels of supply are sufficient to sustain a tantalum industry with an annual demand of 2.3 to 2.5 m lbs Ta in finished products.

Sustained demand at levels of 2.8 m lbs Ta or higher will require the development of new and additional resources to increase the supply base.

Already identified inventories and production flexibilities are sufficient to supply the industry needs in the immediate and short term.

The information included in this report has been sourced from the TIC statistics, various countries' import and export statistics and from personal communications between the author and members of the industry. The author takes sole responsibility for the accuracy of all figures presented.

MIC 98-6

KEMENTERIAN PERUSAHAAN UTAMA,
(Ministry of Primary Industries),
MALAYSIA,
TINGKAT 6-8, MENARA DAYABUMI,
JALAN SULTAN HISHAMUDDIN,
50654 KUALA LUMPUR.

Tel: 03-2747511
Fax: 03-2745014
Telex: MA 30808
Kawat: PERUSAHAAN
(Cable) KUALA LUMPUR

Ruj.Tuan :
Your Ref :

Ruj.Kami : Bil.(3)dlm.KPU(S)0.2/17/25 Klt.7
Our Ref :

Tarikh : 31 October 1996
Date :

Mr. Richard V Meyers,
Office of Strategic Industries and Economic Security,
US. Department of Commerce.

Mr. Richard Watkins,
International Commodities Division,
U.S. Department of State.

Dear Sir,

PROPOSED RELEASE OF RUBBER FROM THE PROPOSED STOCKPILE MATERIAL SALES OF THE UNITED STATES

We wish to refer the US Department of Defense's proposed sale of excess materials from the national defense stockpile and submit to you our views on this matter and in particular on the release of 125,000 long tons rubber into the open market per year in 1997 and 1998(61FR 51403).

2. While we take cognizance of the fact that the quantities of rubber listed are only proposed maximum disposal quantities and not sales target disposal quantities we wish to record our concerns over the possible negative impact of the disposal of this amount of rubber on the already bearish rubber market. We fear that the release of such a substantial tonnage of rubber will cause additional downward pressure and accelerate the rate of decline of rubber prices in the market which have been gradually softening over the last few months. The negative impact however can perhaps be reduced if the release is done in a gradual fashion such that the amount disposed each time will have very little impact on prices.

3. It is perhaps pertinent for us to mention here that as a member of INRA II we believe that all member governments, be it a producer or consumer of natural rubber, should strive towards stabilising rubber prices without distorting long-term market trends in the interests of both producers and consumers while at the same time ensuring adequate supplies of natural rubber to meet the requirements of consumers. As such

a move by US to release its rubber stockpile is to our mind in conflict with the spirit and text of the Agreement to which the US has been a party to since its inception in 1979.

4. It is with such concerns in mind that we take this opportunity to request that the US keeps the proposed release of the rubber stockpile in abeyance to enable us to consult other member governments of INRO on this matter at the next forthcoming meeting of the INRO Council at the end of November 1996.

Thank you.

Yours Sincerely,

(AHMAD ZUBEIR HJ. NOORDIN)
Secretary-General,
Ministry of Primary Industries,
Malaysia.

ns-07/SE

MIC 98-7/1

AZA **American Zinc Association**

1112 Sixteenth Street, N.W., Suite 240, Washington, D.C. 20036 Tel: (202) 835-0164 Fax: (202) 835-0155

Comments

of the

American Zinc Association

to the

Market Impact Committee

concerning

Possible FY98 Disposals of Zinc

from the

Strategic Defense Stockpile

October 31, 1996

MIC98-7/2

"Facts are stubborn things; and whatever may be our wishes, our inclinations or the dictates of our passions, they cannot alter the state of facts and evidence."
--John Adams, 1770

Introduction

The American Zinc Association ("AZA") is pleased to submit these comments to the Market Impact Committee ("MIC") concerning possible FY98 disposals of zinc from the strategic defense stockpile. AZA represents all of the primary zinc producers in North America, as well as primary zinc producers from Australia, Finland, Norway and Spain and secondary producers in the U.S., Canada and Mexico. AZA, as it always has, offers its help to the MIC in its endeavors to avoid undue disruption of the zinc market.

Executive Summary

At the moment, price conditions are slightly lower those that existed at this time last year. The underlying market fundamentals, particularly the still-large overhang of stocks of zinc in London Metal Exchange ("LME") warehouses and continued extensive exports from former Socialist countries and China, continue to be brakes on profitability.

In spite of this, however, AZA does not seek a cessation of stockpile sales. Instead, AZA urges, as it has many times previously, that there be a responsible, long-term disposal program. While AZA is pleased that the government has apparently committed to constant levels of disposals over the balance of its zinc sales, AZA maintains that the 50,000 st requested is still much too high as viewed against the actual market for the grades of slab zinc in the stockpile.

With respect to that long-term disposal, however, AZA is deeply concerned over future disposals by the fact that the MIC has been relying on incorrect information to bless the stockpile's proposals in prior years, despite AZA's protestations. As a direct result of AZA's persistence, the government has conceded error in a number of significant respects. The MIC, if it is to fulfill its statutory duty of effective oversight, must reevaluate its conclusions based on the new, correct, data.

MIC98-7/3

I. The Current Zinc Market is Still Vulnerable

On October 23, 1996, ASARCO announced the **indefinite closure** of its Leadville, CO, mine, citing low zinc prices. This closure results in approximately 128 layoffs. This is the third zinc mine in the world to be closed in the last three months, with low prices cited as the cause in all cases.

While zinc prices have recovered slightly in the past three years from all-time lows, they still remain at the low end of historical price levels. In any event, this brief recovery has in no way served to allow zinc producers to recoup the massive losses of recent years which occasioned earlier mine and smelter closures and job losses. As can be seen from the following data compiled by the International Lead and Zinc Study Group ("ILZSG"), LME zinc prices have fluctuated little in the past year, and currently are substantially lower than they were when AZA submitted its comments to the MIC last year:

Monthly Average LME Settlement Price ($/mt)

Month		Price
1995		
	November	1031.02
	December	1018.45
1996		
	January	1019.39
	February	1036.17
	March	1064.29
	April	1045.73
	May	1036.14
	June	1008.85
	July	1000.39
	August	1007.24
	September	1000.64

(ILZSG, Lead and Zinc Statistics, October 1996, Table 32).

As supplied in previous AZA submissions to the MIC, prices earlier in 1995 and throughout 1993 and 1994 were even lower.

In fact, as the MIC knows, the price in late October 1995 had dropped to such a point that the so-called "trigger-price" provision in the Defense Appropriations bill was activated, stopping the October stockpile sale because of the low LME price. This is the first time that provision has ever

been activated.[1] Thus, it cannot truthfully be said that price conditions are currently rosy.[2]

And the reason for that is fairly easy to find. Despite recent drawdown in LME stocks, the level of stocks remaining is still well above any historical norm. With historical average stock levels running at a rate of approximately five weeks of Western consumption, the current level of approximately nine weeks' consumption is still a considerable drag on price recovery.

The main reason for the lack of additional stock drawdown is the continuing export of zinc from the former Eastern Bloc and China -- exports that created the record levels of LME stocks in the first instance.

Refined Zinc: Net Exports from Eastern Countries (000 mt)

1991	1992	1993	1994	1995	1996 (Jan.-June)
115	304	460	551	462	269[3]

(ILZSG, Lead and Zinc Statistics, October 1996, Table 35).

In the face of all of this, AZA hopes the MIC will not accept uncritically any claims that the zinc market has turned the corner.

II. AZA Calls for Responsible, Long-Term Disposal of Zinc

Apparently, there are still some on the MIC who believe that AZA opposes any disposal of zinc from the stockpile. That is simply not so. Despite the caution that the above market figures would advise, AZA has, for some time, supported a responsible, long-term disposal program. AZA's prior comments to the MIC have made precisely this point, as has AZA correspondence with Congress.

[1] AZA members are in full support of retention of the "trigger price".

[2] On October 24, when these comments were drafted, the LME settlement price was $999.00/mt.

[3] The comparable figure for 1995 was 256,000 mt, confirming that exports from these countries remain alarmingly high.

III. The Relevant Statutory Provisions Militate Against 50,000 st in FY98

Section 6.(b)(2) of the Strategic and Critical Materials Stock Piling Act ("Act") states:

> "[E]fforts shall be made in the acquisition and disposal of such materials to avoid undue disruption of the usual markets of producers, processors and consumers of such materials and to protect the United States against avoidable loss."

Section 10.(c) of the Act provides:

> "(2) The [Market Impact] Committee shall advise the National Defense Stockpile Manager on the projected domestic and foreign economic effects of all...disposals of materials from the stockpile that are proposed to be included in the annual materials plan submitted to Congress...or in any revision of such plan....

As the MIC well knows, AZA has, for some time, been saying that the plain language of the Act requires that the impact of proposed disposals of High Grade ("HG") and Prime Western ("PW") slabs from the stockpile must be measured against the "usual markets" for HG and PW slab. In the absence of any indication of contrary Congressional intent, the word, "usual", must be given its normal meaning.[4] (See Exhibit 1). This is a basic rule of statutory construction. (See Exhibit 2).

But even beyond the legal point, it is basic common sense that the best evidence of what is the normal, customary (that is, "usual") market for HG/PW slab is the actual sales of those grades. AZA has calculated the "usual" markets for HG and PW slabs. Using actual data supplied by AZA members for 1994, together with data from the Customs Service provided by Commerce, AZA calculates the normal, common, actual -- i.e., "usual" -- U.S. market for HG and PW slabs to be approximately 250,000 st. AZA is advised by the Department of Commerce that it agrees that 250,000 st represents the size of the actual U.S. market for HG/PW slab. This is critical -- the government and AZA at last agree that actual consumption of HG/PW slab in the U.S. is approximately 250,000 st/yr. The MIC must consider this new fact in deciding whether the proposed level of 50,000 st is too high.

[4] AZA understands the MIC has been given a legal opinion to the effect that nothing in the Act or the Act's legislative history requires AZA's view should be adopted. If that is so, then it is equally true that nothing in the Act or the legislative history requires that the stockpile's view should be adopted. Since the statute's terms give no guidance one way or the other, the MIC must look to the purpose of the statute, the facts, and basic economic and common sense.

Since the actual ("usual") market for HG and PW slab has been determined, the MIC must evaluate the impact of disposals on that number. At that time, AZA believes any objective observer would conclude that the proposed 50,000 st disposal is alarmingly high. With an actual market size of 250,000 st, 50,000 st authority would represent a staggering **20%** of the market. In addition, given the relatively small size of the actual HG/PW slab market, the MIC should view the government's conclusion that the relevant market for purposes of analysis of potential disruption is the entire slab zinc market--a total market that dwarfs the HG/PW slab market--with healthy skepticism.

IV. The MIC's Previous Errors Call Into Question its Prior Conclusions

For some time, AZA has been trying to convince the MIC that several key statements made by the MIC have been in error. In particular, AZA has challenged these statements made in an August 21, 1995 letter to AZA[5] :

- AZA "has substantially understated the size of the potential HG/PW market."
- The MIC estimates the "potential HG/PW market" "to be in excess of 600,000 ST."
- The stockpile sales from July 1994 through June 1995 realized prices only $.008 less than those realized by a domestic producer, Savage Zinc, over the same period.

Each of these statements was used by the MIC as support for its conclusion that the stockpile's actions were not having an unduly disruptive effect on the market.

As to the first, AZA never has quantified the size of the "potential" HG/PW zinc market because AZA has consistently argued that "potential" markets have no relevance in a discussion of what "usual" markets are. On December 4, 1995, Commerce Department officials admitted to AZA that this charge against AZA was in **error.**

As to the second, AZA was advised by Commerce officials some months ago that the current Commerce estimate of the "potential" HG/PW market is approximately 350,000 st. In other words, the government now admits that the MIC's estimate was off by a staggering **42%**. AZA submits this major "revision" to the MIC's estimate calls for a thorough review of the MIC's

[5] A copy of this letter is attached.

conclusions on the impact of proposed disposals, particularly in light of the agreement on the size of the actual HG/PW slab market at 250,000 st.

As to the third, AZA challenged the MIC's statement and its mathematics in a letter of August 28, 1996 (a copy of which is attached). AZA received no response to that letter from the MIC, but, again, Commerce officials admitted to AZA on December 4 that the MIC was in **error.**

AZA does not understand why the Commerce Department, rather than the MIC, acknowledged the MIC's errors. AZA believes the MIC had a duty as part of its consultation requirements under the Act, as well as a matter of simple courtesy, to respond to AZA's specific questions. In any event, AZA's concerns are shown to have been justified.

V. Additionally, AZA Has Shown Other Government "Facts" to be in Error

For well over a year, AZA has been asserting that the government's reported consumption of HG/PW slab was in error. The government has maintained the accuracy of its numbers until recently, when, in the face of consistent data from AZA, it admitted that:

- Government figures on U.S. production of HG/PW slab were **inaccurate** because those numbers reported as slab approximately 62,000 st of hot metal converted directly to zinc oxide without ever having been cast into slab form. The government had consistently told AZA that this hot metal was not included in the reported slab production, statements that turned out, as a result of AZA's prodding, to have been in **error**. The government has been told that the oxide plant in question could never use slab from the stockpile as a substitute for the hot metal.[6] As a result of AZA's efforts, the USGS has told AZA that it will be revising future reports to indicate this hot metal is not slab.

- Long-used figures on U.S. consumption of HG/PW turned out to be **inaccurate** because of the inability of the government to disaggregate tariff data, separating HG/PW imports from imports of Continuous Galvanizing Grade ("CGG") under HTS 7901.1250. The

[6] The MIC cannot include this hot metal in the actual HG/PW slab market. As shown, the oxide plant is not configured to use slab metal, so the hot metal and stockpile slab could not compete for that business, even were it economically feasible. In addition, the stockpile is selling slab, it is not selling hot metal.

government has told AZA that its estimates of HG/PW consumption were based on extrapolations from old data. AZA provided the government with actual current data on imports of HG/PW and, as a result, AZA and the government are in agreement on the actual HG/PW slab market in the U.S.

- AZA has heard the stockpile assert that disposals displace zinc produced outside the U.S. because of the U.S. market's heavy reliance on imports. Initially undercutting this opinion by the stockpile is the evidence presented to the MIC of substantial lost sales by a domestic zinc producer. Beyond that hard evidence, the analysis conducted by AZA to determine the size of the actual HG/PW slab market revealed that U.S. sources supplied 50% of the HG/PW slab in 1994. In stark contrast, U.S. producers supplied only 33% of 1994 slab consumption of all grades. Thus, the U.S. market is more dependent on U.S. sources for HG/PW slab than it is for other grades. The stockpile's notion that HG/PW slab comes primarily from offshore -- and, therefore, that disposals simply displace non-U.S. material -- is **inaccurate**.

In short, many of the critical "facts" long relied upon by the government, including the MIC, and long challenged by AZA have not withstood analysis. AZA believes that the MIC must revisit its prior conclusions based on the facts as now established.

VI. The Smallness of the Actual HG/PW Market Requires Special Attention to Avoid Disruption

The government has claimed that the entire market for all grades of slab zinc needs to be looked at in determining whether undue disruption is occurring as a result of disposal of HG/PW stockpile slab. This is economically illogical.

The stockpile's HG/PW slab simply has not, does not and cannot compete against the bulk of slab zinc consumed in the U.S. As the government well knows, steel mills and zinc rolling mills have not and will not use uncertified HG/PW slab from the stockpile.[7] This fact alone shows that the

[7] In fact, AZA has grave doubts whether any zinc alloyer producing alloy to ASTM standards could use stockpile material, except by blending it in small amounts with certified Special High Grade ("SHG"), a practice that would likely prove uneconomical to the alloyer.

legal opinion relied on by the MIC as to the statute's meaning seems to be designed to reach a desired conclusion, rather than to look at the issue objectively.[8]

Notwithstanding this lack of substitutability by huge consumers, the government maintains that some consumers can potentially switch consumption patterns and, therefore, the entire slab market must be viewed for signs of disruption by the stockpile's HG/PW disposals. The government has told AZA that less than 50,000 st of SHG consumption could potentially switch to HG/PW -- presumably for use by certain hot-dip galvanizers -- a trivial amount in the context of a 1.3 million-st slab market. Assuming, arguendo, the accuracy of this, if the government believes this tiny "swing" tonnage requires looking for undue disruption in the entire slab market, it has indulged in a consummate tail-wagging-the dog exercise. To put it in a nutshell, 50,000 st of potential switching cannot logically be said to convert a 250,000-st market into a 1,300,000-st market. AZA hopes that the MIC will directly address this argument.

In any event, AZA members producing SHG and CGG dispute the notion that consumers switch from those grades to HG/PW, much less the uncertified material in the stockpile, in response to market factors. Those producers are of the firm view that HG/PW does not compete with SHG or CGG because of a lack of substitutability. Demand for particular grades of zinc has to do with the needs for particular applications rather than market factors.[9]

Conclusion

In light of all the recently admitted inaccuracies in government data and MIC statements, AZA suggests the MIC has to start anew with its review of zinc. Prior conclusions relying on now-discredited figures or arguments cannot be used to bless new disposal authority.

AZA and the government now agree that the actual HG/PW slab market in the U.S. is approximately 250,000 st/yr. The MIC needs to ask itself whether a proposal to dispose of 20% of

[8] The MIC apparently feels bound to follow this flawed opinion. AZA hopes the MIC will decide that the facts as now developed show that this opinion, if it ever had any validity, has been overruled by subsequent events.

[9] As to pricing of the different grades, declining SHG prices on the LME drag down prices of HG/PW because SHG can be used in place of those other grades, and because many supply contracts for any grade are pegged to the LME. The reverse, however, is not the case because of lack of substitutability.

that amount -- 50,000 st -- is reasonable, or whether that amount carries with it the seeds of undue disruption. AZA firmly believes 20% is too high for HG/PW slab.

As always, AZA will assist the MIC in any way possible. In fact, AZA suggests that the MIC hold a public session on zinc, since it apparently is unable to meet privately as a committee with interested parties. AZA would be happy to discuss the facts and issues with anyone, at any time.

In addition, AZA hopes that the MIC will respond promptly to such legitimate inquiries from AZA as may arise in the coming year. Recent events have shown that AZA's concerns with the oversight of zinc disposal have not been unfounded. To the contrary, the government has conceded many of AZA's points, but the effort to achieve correction has been more extensive than AZA envisioned would have been the case.

MIC98-1/11

Exhibit 1

THIRD COLLEGE EDITION

Webster's New World™ Dictionary

OF AMERICAN ENGLISH

u|su·al (yo͞o′zhho͞o əl, yo͞ozh′wəl) ***adj.*** [ME < MFr < LL *usualis* < L *usus*: see USE] such as is in common or ordinary use; such as is most often seen, heard, used, etc.; common; ordinary; customary —**as usual** in the usual way —**u|su·al|ly** ***adv.*** —**u|su·al·ness** ***n.***

SYN.—**usual** applies to that which past experience has shown to be the normal, common, hence expected thing [the *usual* results, price, answer, etc.];

U.S. SUPREME COURT

FEDERAL DEPOSIT INSURANCE CORPORATION, Petitioner

v.

John H. MEYER.

No. 92-741.

Argued Oct. 4, 1993.

Decided Feb. 23, 1994.

[4] The first question, then, is whether Meyer's claim is "cognizable" under § 1346(b). The term "cognizable" is not defined in the Act. In the absence of such a definition, we construe a statutory term in accordance with its ordinary or natural meaning. *Smith v. United States*, 508 U.S. ——, ——, 113 S.Ct. 2050, 2054, 124 L.Ed.2d 138 (1993). Cognizable ordinarily means "[c]apable of being tried or examined before a designated tribunal; within [the] jurisdiction of [a] court or power given to [a] court to adjudicate [a] controversy." Black's Law Dictionary 259 (6th ed. 1990). Under this definition, the inquiry focuses on the jurisdictional grant provided by § 1346(b).

BLACK'S LAW DICTIONARY (5TH ED.)

Usual. Habitual; ordinary; customary; according to usage or custom; commonly established, observed, or practiced. That which happens in common use or occurs in ordinary practice or course of events. Synonymous with custom, common, normal, regular. Dancy v. Abraham Bros. Packing Co., 171 Tenn. 311, 102 S.W.2d 526, 528.

MIC98-7/13

Attachment 9

UNITED STATES DEPARTMENT OF COMMERCE
Bureau of Export Administration
Washington, D.C. 20230

AUG 21 1995

Mr. George Vary
American Zinc Association
1112 16th Street, N.W., Suite 240
Washington, D.C. 20036

Dear Mr. Vary:

Thank you for your June 26 and August 8, 1995 letters concerning Defense National Stockpile zinc sales. On August 16, 1995, the MIC again met to review the issues raised in your letters and to consider all available relevant data to determine whether Defense National Stockpile Center (DNSC) zinc sales have resulted, or would likely result, in undue disruption of the zinc market.

There are two main issues of concern - the "usual market" for zinc and DNSC zinc sale prices.

Usual Zinc Market

As you know, subsection 6(b) (2) of the Strategic and Critical Materials Stock Piling Act states that:

> "efforts shall be made in the acquisition and disposal of such materials to avoid undue disruption of the usual markets of producers, processors, and consumers of such materials . . ."

Supported by a recent opinion of legal counsel, we continue to view "the usual markets" to which the statute refers as the aggregate markets of the producers, processors and consumers -- the total market for the commodity. Neither the statute nor the legislative history of the Act limits our examination of the markets to the "markets for Stockpile material." It is the entire market for the commodity that must be examined, not a smaller, or "niche" market, into which a particular Stockpile commodity such as zinc may be sold at a particular point in time.

Nevertheless, we have reviewed in detail the markets for High Grade (HG) and Prime Western (PW) zinc and have concluded that whether the smaller HG/PW market or the "usual" zinc market is considered, there is no evidence that recent DNSC zinc sales are unduly disruptive of the market. Furthermore, our analysis, including extensive industry interviews, indicates that you have substantially understated the size of the potential HG/PW market which we estimate to be in excess of 600,000 ST. The 25,000 ST of zinc authorized for sale this year is about 4% of that market. To date, only 8,353 ST have been sold, with one sale remaining. PW accounts for about 42% of this quantity. 8,353 ST amounts to about 1.4% of the potential HG/PW market, and less then 0.7% of

MIC98-7/14

the "usual" zinc market which we estimate to be about 1.2 million ST. Although the planned 50,000 ST ceiling for FY 1996 amounts to about 8% of the potential HG/PW market, it is only about 4% of the estimated "usual" zinc market.

DNSC Zinc Sales Prices

Absent any evidence from the zinc industry to the contrary, we again conclude from our review of recent DNSC zinc sales prices, that these sales are reasonable and justified, and not disruptive of the "usual" market for zinc as defined in the statute.

We note that in an article in the July 31 issue of Ryan's Notes, it is reported that Savage Zinc during its fiscal year which ended June 30, sold 104,000 tons of zinc at an average price of 51.68 cents/lb. During that time period, the average official LME price was 47.37 cents/lb., and the average closing price was 47.39 cents/lb. This would indicate that Savage obtained an average premium of 4.29 to 4.31 cents/lb. for zinc during its fiscal year. DNSC sold zinc during this period at prices ranging from 3-6 cents/lb. over the LME price, averaging 3.5 cents/lb. over the LME. This average price is only about 0.8 cents/lb. less then the Savage average price, and as you know, Stockpile zinc is sold on an "as is, where is" basis.

Please be assured that the MIC will continue to closely monitor DNSC sales and the zinc market to ensure that these sales will not unduly disrupt the "usual" zinc market while at the same time protecting the U.S. Government and its taxpayers from avoidable loss.

Sincerely,

Stephen G. Brundage
MIC Co-Chair
Department of State

Richard V. Meyers
MIC Co-Chair
Department of Commerce

cc: Joseph Pallone
Senate Armed Services Committee

Peter Steffes
House National Security Committee

MIC 98-8

Aluminum Company of America

ALCOA

Russell C. Wisor
Director, Government Affairs

October 28, 1996

Richard V. Meyers
Co-Chair
Stockpile Market Impact Committee
Office of Strategic Industries and Economic Security
Room 3878
U.S. Department of Commerce
14th & Constitution Ave., NW
Washington, DC 20230

RE: NATIONAL DEFENSE STOCKPILE MARKET IMPACT COMMITTEE REQUEST FOR PUBLIC COMMENTS

Dear Mr. Meyers:

Enclosed are comments (10 copies) of Aluminum Company of America (Alcoa) regarding the October 02, 1996, notice published in the *Federal Register* seeking comments on the potential market impact of proposed disposals of excess commodities from the National Defense Stockpile.

If you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,

Russell C. Wisor

Russell C. Wisor
Director, Government Affairs

Enclosure

1667 K Street N.W. Suite 500 Washington, DC 20006 USA Fax: (202) 956-5305 Telephone: (202) 956-5306

MIC98-8 2

COMMENTS OF

ALUMINUM COMPANY OF AMERICA

SUBMITTED TO THE
OFFICE OF STRATEGIC INDUSTRIES AND ECONOMIC SECURITY
BUREAU OF EXPORT ADMINISTRATION
U.S. DEPARTMENT OF COMMERCE

ON THE
REQUEST FOR PUBLIC COMMENTS
OF THE NATIONAL DEFENSE STOCKPILE
MARKET IMPACT COMMITTEE
RELATED TO THE PROPOSED DISPOSALS
OF EXCESS COMMODITIES

OCTOBER 28 , 1996

MIC98-8/3

Aluminum Company of America (Alcoa) appreciates the opportunity to submit these comments on the disposal of primary aluminum from the National Defense Stockpile. Alcoa is the world's leading producer of aluminum and alumina with 170 operating and sales locations in 28 countries. The Company serves customers in the packaging, automotive, aerospace, construction and other markets with a variety of products.

Alcoa has been a supporter of selling the primary aluminum stockpile, believing there is no need for the U.S. Government to invest in this readily available metal. We believe an examination of the aluminum industry's recent history and an understanding of commodity price cycles reveal certain factors that the Market Impact Committee may want to consider in deciding the timing for the sale of the aluminum stockpile. We believe this consideration will lead to the conclusion that a balance between the market impact of selling the aluminum stockpile and protecting the Government against an easily avoidable loss can be achieved.

World primary aluminum prices are established daily on the London Metal Exchange (LME). Because of the large amounts of primary aluminum that flooded world markets following the disintegration of the former Soviet Union, LME stockpiles swelled to nearly 2.6 million metric tons in early 1994, driving the price of primary aluminum to $.47 per pound - the lowest ever real level.

By December 1995, increased demand and reduced production had led to a decrease in LME inventories to approximately 550,000 metric tons and an

LME price of about $.76 per pound. Currently, the LME aluminum stockpile stands at approximately 960,000 metric tons and the price of metal is near $.60 per pound.

For the purpose of this submission, assume that over time investors in aluminum ingot production must secure an average price of $.80 per pound in order to achieve a market rate of return on their invested capital. Actual prices vary widely around this necessary average, responding to the balance between supply and demand.

At this time, world primary aluminum markets are in relative surplus, significant U.S. aluminum smelting capacity remains idled, and metal is trading at $.60 per pound, or $.20 below this necessary average price. From the perspective of selling the entire U.S. aluminum stockpile, the difference between today's price and $.80 per pound is $25 million of potential additional realized income for the U.S. Government.

This is not to suggest that the Federal Government should speculate in commodity markets and attempt to sell only at high points of a market cycle. However, its return could be maximized by selling the stockpiled metal in a market that is characterized by prices of $.80 per pound and above as opposed to selling at today's $.60 price. Such an action clearly would protect the Government against an opportunity loss as well as provide for a balanced market impact when the metal is sold.

MIC98-9

GEORGE UHE CO., INC.
Established 1921
12 ROUTE 17 NORTH, P.O. BOX 970 • PARAMUS, NEW JERSEY 07653-0970 • TELEPHONE: (201) 843-4000
FAX: (201) 843-7517
TELEX: 421086
CABLE ADDRESS: UMENTHOL NEW YORK

October 29, 1996

Mr. Richard V. Meyers, Co-Chair
Stockpile Market Impact Committee
Office of Strategic Industries and Economic
Industries and Economic Security
Room 3876

U.S. Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

Re: Proposed New Material Disposal Authority for FY 1997 and 98 (Germanium)

Dear Mr. Myers:

This letter is in response to the recent notice in the Federal Register Vol. 61 No. 192 of Wednesday, October 2, 1996 regarding the proposed release of **germanium** from government stocks.

Germanium is in very short supply. We would be interested in bidding for the entire 4000 kilos of germanium. Because of the shortage, we feel the 4000 kilos will be a good start to ease conditions, but a larger release would be better..

In any case, please be aware that we are interested in participating in a bid when and if the release is made.

Sincerely,

Emile Henein
Pharmaceutical/Chemical Dept.

MIC98-10

Sovereign recycling International

P.O.Box 10308
Bettendorf, IA 52722 U.S.A.
☎: (319) 355-2722
Fax:(319) 359-7984
Telex: 6732325 Soverin-UW

October 30, 1996

Mr. Richard V. Meyers
Co-chair
National Defense Stockpile Market Impact Committee
Office of Strategic Industries and Economic Security
Room 3876
U.S. Department of Commerce
14th & Constitution Ave., N.W.
Washington, DC 20230

Re: **Disposal of Cobalt**

National Defense Stockpile Market Impact Committee Request for Public Comments,
61 Fed. Reg. 51403 (Oct. 2, 1996)

Dear Mr. Meyers:

Sovereign Recycling International is pleased to submit its comments regarding the proposed sales of cobalt in FY 1997 and 1998. Sovereign is in the business of collecting scrap metal from industrial and other U.S. sources for toll processing to recover valuable commodities for re-use. Sovereign can recover up to about 550 metric tons (1.2 million pounds) of cobalt annually. As there are no known domestic primary producers of cobalt, small secondary firms like Sovereign constitute the only U.S. sources. Worldwide secondary production is 4,260 tons, as reported by the Cobalt Development Institute for 1995.

Congress has mandated that the Stockpile be reduced in a manner to "avoid undue disruption of the usual markets of producers, processors, and consumers of such materials." 50 U.S.C. § 98e(b)(2). The DLA proposes to dispose of 6 million pounds of cobalt in FY 1997 and another 6 million pounds in 1998. By any measure, this is an enormous amount, which inevitably will disrupt the market. World production is already growing rapidly. The Cobalt Development Institute estimates that 1996 production will exceed 1995 production by 33% (*Cobalt News*, Vo. 96/4). DLA nevertheless proposes a 50 percent increase over the previous Stockpile sales volume. Total U.S. consumption is only 7000 metric tons (15.4 million pounds). The proposed sale of 6 million pounds is thus equivalent to 39 percent of total domestic demand, and 12 percent of world production (about 50

million pounds, based on the last complete year). That volume equates to five processors the size of Sovereign.

It may be that large foreign producers can and will stay in the cobalt business over the long term notwithstanding huge price swings caused in large part by sales of existing stocks and the resulting price speculation. Unfortunately, the same is not true of the U.S.'s small secondary processors. While the Defense Stockpile sell-off may be over in several years, the demand for cobalt will continue. The unanswered question is whether any U.S. processors will be left to continue to serve that demand.

Dumping huge quantities is hardly necessary. The 1997 Defense Authorization Act sets a *maximum* of 26 million pounds of cobalt to be sold over a ten-year period. At *most*, cobalt should be sold at a pace that would exhaust this quantity over ten years, *i.e.*, 2.6 million pounds per year. The Congressional revenue mandate ($81 million in FY 1997 and a ten-year total of $612 million) could easily be met by selling far less than 26 million pounds of cobalt, along with other Stockpile commodities. At current prices ($20/pound), a sale of 6 million pounds would generate $120 million. Thus, this single commodity would generate about 50% more that the *total* revenue target for all eleven commodities on the list.

Industry attention has been focused on a new production facility in Voisey Bay, Canada, which is expected to begin production of up to 2500 tons/yr within five years. It may be that the disproportionate amount of cobalt that DLA proposes to sell in FY 1997 and 1998 is based on a fear that supply will outstrip demand after Voisey Bay is in operation. Any such fear is unfounded, since projected demand will keep pace with the industry's ability to meet it. The Cobalt Development Institute projects that world demand will increase from 24,000 to 33,000 tons per year by the year 2000. Thus, DLA will be able to sell more than adequate quantities of cobalt after 1998 and there is no need to "front-load" its marketing plan.

The commodity sales levels specified in the published marketing plan are ceilings. In theory, DLA could sell far less than the ceiling amount without any modification of the plan. However, we think it is important that the plan be revised downward. First, this will provide some assurance beyond a mere statement of intent. Second, the marketing plan itself can have a disruptive effect on the market even if the authorized sales are ultimately not made. That is because the plan is the only available indicator of probable future Stockpile sales. If the market anticipates that large quantities will be dumped within a year, buyers will postpone purchases in anticipation of a price drop. Of course, the deferral of purchases

makes the price drop a self-fulfilling prophecy. Thus, it is important that the ceiling be set at a reasonable level, close to the actual justifiable level of sales.

In sum, the proposed level of authorized cobalt sales is grossly out of proportion to what DLA needs to sell in order to meet its mandate, and will certainly disrupt the market. I urge you to consider the proposed market plan in light of the statutory mandate to avoid market disruption, and to reduce annual cobalt sales to responsible levels.

Sincerely,

Steven J. Strulowitz
President

MIC 98-11

Statement of Elkem Metals Company

Pittsburgh, Pennsylvania

submitted to the

National Defense Stockpile

Market Impact Committee

Pursuant to

Federal Register Notice of

October 2, 1996

November 1, 1996

Contact: Robert N. Pyle, Government Relations
Elkem Metals Company
1223 Potomac Street, NW
Washington, DC 20007-3212
Telephone: 202-333-8190
Facsimile: 202-337-3809

MANGANESE DISPOSAL PROGRAMS SHOULD WORK TO PRESERVE A VIABLE UNITED STATES FERROMANGANESE PRODUCTION INDUSTRY

Elkem Metals Company is a major international smelter of alloys and metals. The company's U.S. operations in Pennsylvania, Ohio and West Virginia employ over a thousand people. The Marietta, Ohio operations which produce high carbon ferromanganese (HCFeMn) continues to work through the transition process from being a defense contractor to commercial production. The transition process is working and the company has completely shifted to a private sector client base. However, despite the apparent success of Elkem in making the transition the future of the company's operations in Marietta are threatened by inaction on the part of the Defense Logistics Agency (DLA) to sell Elkem off-grade HCFeMn as stipulated in Public Law 104-106.

Elkem submits comments today to the Market Impact Committee (MIC) in support of the DLA's proposed Fiscal Year 1997 modifications and 1998 Annual Materials Plan that propose to sell up to 50,000 short tons of "off grade" HCFeMn, 2,000 short tons of Electrolytic Manganese Metal and metallurgical grades of manganese ores. Elkem supports these proposals only as long as the DLA abides by sale provisions mandated by Congress.

The same foreign competition which precipitated the 10 year upgrade program for ferromanganese continues to impact Elkem's transition. Import penetration for HCFeMn stands at 85% of domestic consumption. As part of the conversion process Elkem has moved to lower labor, raw material and electric power costs. The Marietta plant's

infrastructure includes three relatively small capacity furnaces located in separate buildings. Furnace capacity is a limiting factor to expanding "through-put," the amount of alloy produced under our fixed costs that is imperative for the company's survival. In the past utilizing off-grade or low-grade ferroalloys from the National Defense Stockpile, Elkem has improved melt yields and furnace through-put. Elkem believes remelting offgrade materials along with ores from the National Defense Stockpile is critical to Elkem's survival. Elkem presented its long term approach to survival of the last ferromanganese operation in the United States to Congress which adopted Elkem's plan as part of the permanent Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 *et seq*).

Regrettably the Department of Defense has been reluctant to embrace the spirit of the language and true purpose of Section 3304 of PL 104-106 adopted by Congress to keep ferroalloy facilities open. The last remaining ferrochrome producer idled it's furnaces in South Carolina over a year ago. DLA failed to reach an agreement in the last fiscal year on a contract price that allows for the economic remelting of the National Defense Stockpile's below specification grade ferromanganese as stipulated by law. These provisions are found in Section 3304 parts a, b and c. Furthermore, it has become apparent that DLA contracting officials have a "philosophical objection" to selling the material based on a price structure which allows economic remelting to increase manganese content to 78%, the industry standard.

The intent of Congress in adding Section 3304 to the permanent Stock Piling Act is to provide closure to the perennial issue of supporting the ferroalloy industry, a critical component of the nation's defense industrial base. The language passed by both bodies

of Congress and signed by the President provides a secure future for manganese smelting furnace capacity in the United States.

A viable ferromanganese industry is vital to the United States' economic security. Manganese is an essential ingredient in the production of steel. Steel cannot be produced without ferromanganese. The Marietta facility is the only operating ferromanganese production plant in the U.S. and Canada. In recent years Congress authorized the disposal of manganese ore, which is the primary raw material in the production of ferromanganese. Due to the responsible disposal process adopted by the Congress, the last ferromanganese smelter in the United States continues to operate. The effect of a closure would force the United States steel industry to be totally dependent on imports to supply this essential and critical raw material. This could be critical during future global shortages and national emergencies. In addition, the United States' industrial base will be further weakened and the unique technology and specialized human skills necessary to produce ferromanganese lost forever.

The current legislation authorizes the Department of Defense, which manages the National Defense Stockpile, to dispose of the entire quantities of manganese ore and ferromanganese. The legislation restricts the sale of manganese ore to "allow preference to domestic ferroalloy producers." Provisions in Section 3304 a, b and c stipulate the method and requirements for sales of HCFeMn. Current law has provisions stipulating sales of electrolytic manganese are subject to right-of-first-refusal by domestic ferroalloy producers.

Congress first included provisions in the FY 1994 Defense Authorization and Appropriations Acts to support the transition of the domestic ferromanganese operations from defense contracting to commercial markets. The support of last years' Congress was

three-fold (Attachment II). First, Congress included a prohibition on disposal of stockpile grade ferromanganese inventories until all non stockpile grade materials are disposed of to a qualified domestic ferroalloy "upgrader" for remelting. A second provision requires DLA to only dispose of manganese ores for domestic processing. The third provision supported by Elkem is a preference for disposal of electrolytic manganese. Elkem requests the Market Impact Committee (MIC) direct DLA to conform to the intent of the Congressional Authorization language before the last HCFeMn ferroalloy producer is forced to close.

Elkem's strategic plan for defense conversion involves an existing long term agreement under the above mentioned legislative preference to buy metallurgical grade manganese ores. Elkem is now in the forth year of a five year contract to purchase ores from the National Defense Stockpile. In addition to the long term purchases, Elkem has also bought ores from the DLA under "spot" sales agreements. Elkem applauds the DLA's ability to negotiate a fair price and timely deliveries for ores purchased under legislative preference and spot market sales and is hopeful similar arrangements can be made for the sale of off grade HCFeMn.. Furthermore, Elkem pledges to continue to offer the Agency fair market value, allowing the company a reasonable return on investment, for the purchase of ores and off-grade HCFeMn. There has been considerable disagreement between Elkem and DLA as to what constitutes fair market pricing. Elkem's negotiations are based on: prices that the DLA sold similar material to Elkem in the past; rate of return formulas developed under the 10 year Ferroalloy Upgrading Program and a price that allows the company a modest return on investment. Attachment II details Elkem's proposed bid price with a justification for each item. DLA officials admitted to Elkem they stalled negotiations under the mistaken impression that preference provisions would expire on September 30,

1996. Only recently have DLA officials started to recognize the spirit and intent of the Congressional mandate in the permanent stock piling law. Elkem must be able to secure a viable contract for the purchase of off-grade HCFeMn or it will be forced to curtail operations at Marietta and eventually close all or part of the plant.

In summary, we hope the MIC and DLA will support Elkem's needs for the remainder of FY 1997 and FY 1998 including the prohibition and preference initiatives mandated by Congress to permit our plant at Marietta to continue to operate.

ELKEM'S STEPS TOWARDS DEFENSE CONVERSION

PLANT AND EQUIPMENT UPGRADES

Last year Elkem reported to the MIC on it's $29.0 Million in capital expenditures since 1991 as evidence of the company's commitment to efficiently produce manganese alloys. An additional $2.1 million has been spent on (Attachment III) major plant upgrades and on-going plant improvement projects since November, 1995.

Elkem's manganese smelting furnaces are among the most modern in the industry with 100% computerized controls on all three furnaces and 100% computer control on the Oxygen Refining Unit. The company has led the industry internationally in computer usage for manganese furnaces and has invested considerable money in new technology. It has also built a staff of computer experts who have initiated software design and computerized improvements.

Investment in furnace and auxiliary automation has been significant in the last few years and are included in future plans. These include automated tapping and plugging of

furnaces, remote control cranes, ladle preheating, tapping rearrangements, ladle repair and slag rake-off equipment.

The facility is in 100% compliance with all environmental regulations and has committed significant money in maintaining compliance. The rebuilding of a waste retention impoundment (coffer dam); waste water flow rerouting; PCB removal are a few of the many projects undertaken at significant cost. In addition, many miscellaneous environmental projects have been implemented including monitoring devices and upgrading wet scrubber systems.

New process strategies have been developed in Oxygen Refining in the past three years as well as new process strategies for the smelting of manganese alloys. The metallurgical staff has been doubled to further develop these improvements.

The Marietta facility has doubled the Quality Staff in the last three years with the addition of quality engineers. This has resulted in the facility achieving ISO 9001 certification and the facility has also been recognized by leaders in the steel and aluminum industries for quality. Elkem received the Alcoa Supplier of Excellence Award that has been achieved by only three of Alcoa's 30,000 suppliers.

UNION AND LABOR

The company is now in the last year of a three year labor contract signed with the local Oil, Chemical and Atomic Worker's Union in August 1994. The agreement insures continuing operations at the Marietta plant. The Company and the Union negotiated

significant work rule changes and other concessions to improve cost and quality at the facility.

Both Union and Management have accepted the challenge of preparing the facility for entering the commercial market. The Union and Company meet monthly to review the status of the conversion program in an effort to keep all employees updated and solicit their support.

PLANNING FOR THE FUTURE

A comprehensive strategic plan has been developed for the facility through the year 2000. The plan includes cost improvements, market/sales objectives, capital expenditures, new product production and other elements necessary to achieve a successful conversion to the commercial market. The plan makes effective use of the ores contained in the National Defense Stockpile and hinges on the availability of remelting the off-grade HCFeMn to boost the furnace through-put. Elkem thanks the Market Impact Committee for supporting the continued activities of Elkem's successful transition from being a defense contractor and maintaining the National's vital industrial base industries like ferroalloy smelting.

Attachment I
Elkem Metals Company
November 1, 1996

104TH CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPORT
104–450

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1996

CONFERENCE REPORT

TO ACCOMPANY

S. 1124

JANUARY 22, 1996.—Ordered to be printed

TITLE XXXIII—NATIONAL DEFENSE STOCKPILE

Subtitle A—Authorization of Disposals and Use of Funds

SEC. 3301. DEFINITIONS.

For purposes of this subtitle:

(1) The term "National Defense Stockpile" means the stockpile provided for in section 4 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98c).

(2) The term "National Defense Stockpile Transaction Fund" means the fund in the Treasury of the United States established under section 9(a) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98h(a)).

SEC. 3302. AUTHORIZED USES OF STOCKPILE FUNDS.

(a) OBLIGATION OF STOCKPILE FUNDS.—During fiscal year 1996, the National Defense Stockpile Manager may obligate up to $77,100,000 of the funds in the National Defense Stockpile Transaction Fund for the authorized uses of such funds under section 9(b)(2) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98h(b)(2)).

(b) ADDITIONAL OBLIGATIONS.—The National Defense Stockpile Manager may obligate amounts in excess of the amount specified in subsection (a) if the National Defense Stockpile Manager notifies Congress that extraordinary or emergency conditions necessitate the additional obligations. The National Defense Stockpile Manager may make the additional obligations described in the notification after the end of the 45-day period beginning on the date Congress receives the notification.

(c) LIMITATIONS.—The authorities provided by this section shall be subject to such limitations as may be provided in appropriations Acts.

SEC. 3303. DISPOSAL OF CHROMITE AND MANGANESE ORES AND CHROMIUM FERRO AND MANGANESE METAL ELECTROLYTIC.

(a) DOMESTIC UPGRADING.—In offering to enter into agreements pursuant to any provision of law for the disposal from the National Defense Stockpile of chromite and manganese ores or chromium ferro and manganese metal electrolytic, the President shall give a right of first refusal on all such offers to domestic ferroalloy upgraders.

(b) DOMESTIC FERROALLOY UPGRADER DEFINED.—For purposes of this section, the term "domestic ferroalloy upgrader" means a company or other business entity that, as determined by the President—

(1) is engaged in operations to upgrade chromite or manganese ores of metallurgical grade or chromium ferro and manganese metal electrolytic; and

(2) conducts a significant level of its research, development, engineering, and upgrading operations in the United States.

SEC. 3304. RESTRICTIONS ON DISPOSAL OF MANGANESE FERRO.

(a) DISPOSAL OF LOWER GRADE MATERIAL FIRST.—The President may not dispose of high carbon manganese ferro in the National Defense Stockpile that meets the National Defense Stockpile classification of Grade One, Specification 30(a), as revised on May 22, 1992, until completing the disposal of all manganese ferro in the National Defense Stockpile that does not meet such classification. The President may not reclassify manganese ferro in the National Defense Stockpile after the date of the enactment of this Act.

(b) REQUIREMENT FOR REMELTING BY DOMESTIC FERROALLOY PRODUCERS.—Manganese ferro in the National Defense Stockpile that does not meet the classification specified in subsection (a) may be sold only for remelting by a domestic ferroalloy producer unless the President determines that a domestic ferroalloy producer is not available to acquire the material.

(c) DOMESTIC FERROALLOY PRODUCER DEFINED.—For purposes of this section, the term "domestic ferroalloy producer" means a company or other business entity that, as determined by the President—

(1) is engaged in operations to upgrade manganese ores of metallurgical grade or manganese ferro; and

(2) conducts a significant level of its research, development, engineering, and upgrading operations in the United States.

SEC. 3305. TITANIUM INITIATIVE TO SUPPORT BATTLE TANK UPGRADE PROGRAM.

During each of the fiscal years 1996 through 2003, the Secretary of Defense shall transfer from stocks of the National Defense Stockpile up to 250 short tons of titanium sponge to the Secretary of the Army for use in the weight reduction portion of the main battle tank upgrade program. Transfers under this section shall be without charge to the Army, except that the Secretary of the Army shall pay all transportation and related costs incurred in connection with the transfer.

Subtitle B—Programmatic Change

SEC. 3311. TRANSFER OF EXCESS DEFENSE-RELATED MATERIALS TO STOCKPILE FOR DISPOSAL.

(a) TRANSFER AND DISPOSAL.—Section 4 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98c) is amended by adding at the end the following new subsection:

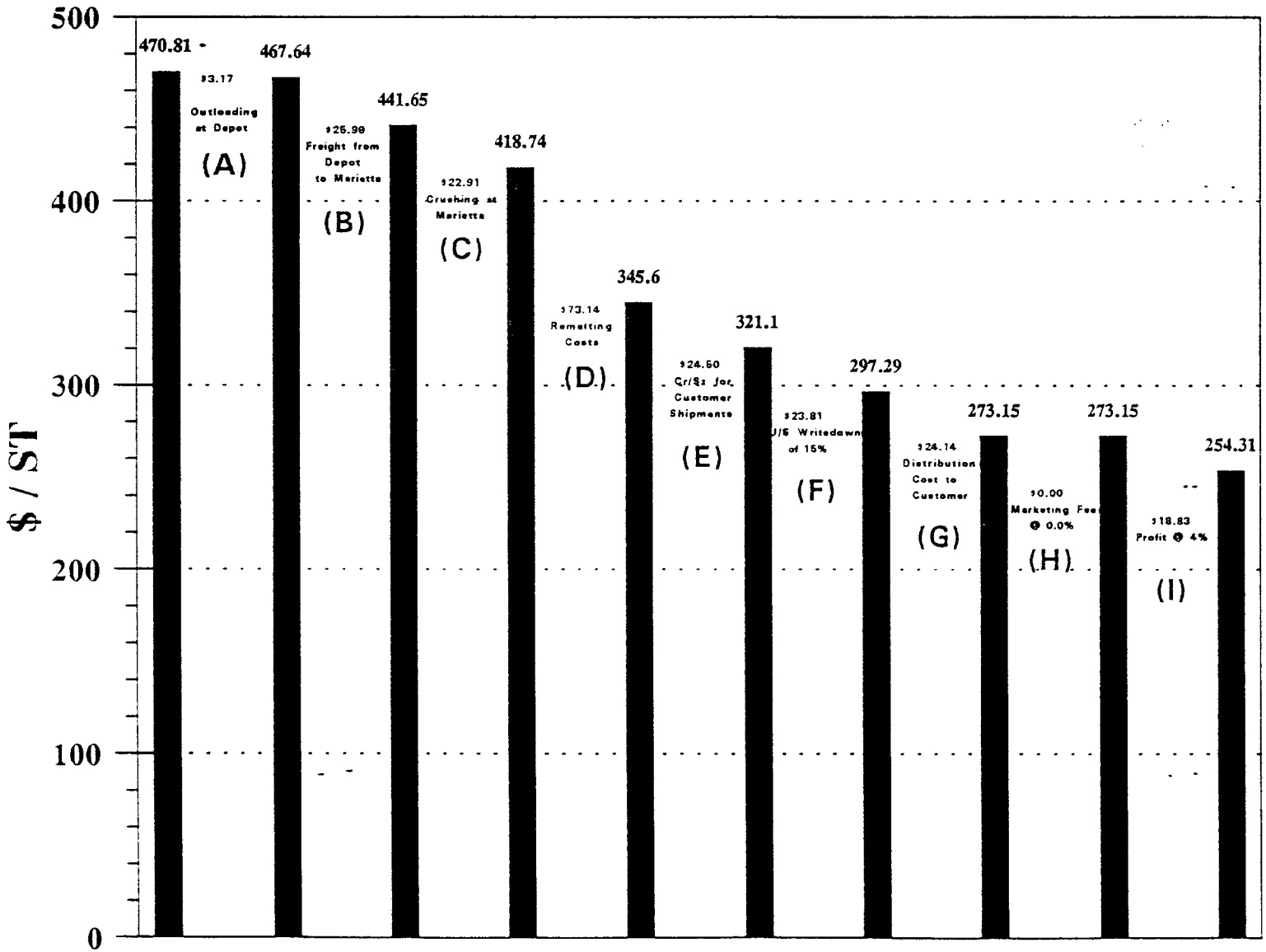
"(c)(1) The Secretary of Energy, in consultation with the Secretary of Defense, shall transfer to the stockpile for disposal in accordance with this Act uncontaminated materials that are in the Department of Energy inventory of materials for the production of defense-related items, are excess to the requirements of the Department for that purpose, and are suitable for transfer to the stockpile and disposal through the stockpile.

"(2) The Secretary of Defense shall determine whether materials are suitable for transfer to the stockpile under this subsection, are suitable for disposal through the stockpile, and are uncontaminated.".

Attachment II
Elkem Metals Company
November 1, 1996

DLA HCFeMn Pricing Formulation

ELKEM
Marietta



* Metals Week 3rd Qtr. '96 HCFeMn Price ($470.81)

** EMC Offer Price to DLA ($254.31)

19-Oct-96

DLA HC FE MN OFF GRADE

MW PRICE (3RD QTR '96 ACT/EST) - $/GT		527.31		
BASE PRICE - $/ST		470.81		
EMC OFFER QUANTITY - ST		155,000		
LESS EMC COST				
1. REMELTING COSTS				
A. COST OF REMELTING	32.44			
B. MN UNITS TO UPGRADE FROM 75.19% to 79.5%	25.52			
C. FIXED EXPENSE	15.18			
SUB-TOTAL REMELTING COST		73.14	**(D)**	**REFERENCE ATTACHED BAR CHART** (DLA HC FeMn Pricing Formulation)
2. CRUSHING AND SIZING FOR CUSTOMER SHIPMENTS		24.50	**(E)**	
3. UNDERSIZE WRITEDOWN OF 15%		23.81	**(F)**	
4. DISTRIBUTION COST TO CUSTOMER		24.14	**(G)**	
5. MARKETING FEE @ 0.0%		00.00	**(H)**	
6. PROFIT @ 4.0%		18.83	**(I)**	
SUB-TOTAL METALLURGICAL PROCESSING DISCOUNT		164.42		
7. OUTLOADING AT DEPOT		3.17	**(A)**	
8. FREIGHT TO MARIETTA		25.99	**(B)**	
9. CRUSHING AND SIZING OF DLA MATERIAL		22.91	**(C)**	
SUB-TOTAL		52.08		
TOTAL DEDUCTIONS		216.50		
EMC OFFER PRICE TO DLA - $/ST		254.31		

ELKEM -- MARIETTA

Attachment III
Elkem Metals Company
November 1, 1996

Elkem

1996 Elkem - Marietta: CAPITAL INVESTMENTS $(000)

Completion of Capacity/Life Extension of Fluid Waste Retention Dam	$ 7
HCFeCr Milling	407
Transformers	52
Wasteline for Fluids	140
Furnace Computerization	35
Bolometers #12	70
Emissions Monitoring Equipment	30
Venturi Scrubber #18	145
#18 Auxiliary Equipment & Shell Cooling Equipment	180
Crane replacement #18	180
Parts Storage Facility	41
Rodding Machine for HC Ferromanganese production on #12 Furnace	83
Sub-Total	1,370
ON-GOING PROJECT EXPENDITURES (Cost-to-date)	
Pilot Plant Research	198
Furnace water cooler # 12	177
Palletizing Equipment	347
Regulating Transformer	2
Furnace design Improvement	25
Sub-total	749
Total Capital & Non-Capital Investments	$2,119

ELKEM METALS COMPANY P.O. BOX 299; MARIETTA, OHIO 45750-0299
Telephone: (614) 374-1000 • *Telecopier:* (614) 374-1386

MIC 98-12

Institute of Scrap Recycling Industries, Inc.
THE ORIGINAL RECYCLERS

1325 G Street, N.W., Suite 1000
Washington, DC 20005-3104
202 • 737-1770
Fax 202 • 626-0900

October 30, 1996

Mr. Richard V. Meyers, Co-Chair
Stockpile Market Impact Committee
Office of Strategic Industries and Economic Security
Room 3876, US Department of Commerce
14th & Constitution Aves. NW
Washington, DC 20230

Dear Mr. Meyers:

The Institute of Scrap Recycling Industries (ISRI) is pleased to have the opportunity to offer its comments on the Department's notice of proposed disposal of excess commodities, published in the Federal Register on October 2, 1996. ISRI is a national trade association representing 1500 member companies, at over 5000 recycling locations. ISRI members process, broker and consume secondary metals, paper, plastic, textiles, rubber and glass. They divert from disposal over 90 million tons of these materials each year and return them to the economic mainstream.

Of particular concern to ISRI is the proposed sale from the National Defense Stockpile of 6,000,000 pounds (2679 metric tons) of cobalt in fiscal year 1997. ISRI recognizes the changing needs of government with the end of the Cold War and acknowledges the monetary benefit that the US Government would enjoy from the sale of this material. However, with total US consumption of cobalt running at about 6000 metric tons per year, a sale of this size in one year would represent close to half of that consumption. The Cobalt Development Institute projects a minimum increase of cobalt production, worldwide, of 28% in 1996. Sales of 6 million pounds, a 50% increase over last years sales, will have a significant adverse effect on cobalt prices. That effect would be especially hard felt by small secondary cobalt recyclers, such as ISRI represents, because they have very few resources to rebound from a severe market distortion.

The Congress clearly had such market turbulence in mind when it restricted Stockpile acquisitions and disposal practices to those which, "avoid undue disruption of the usual markets of producers, processors, and consumers of such materials", 50 USCA 98e (b)(2). Under these circumstances, ISRI requests that the Department reconsider the size of its proposed cobalt sale for FY1997 in light of its statutory obligations.

ISRI would be pleased to discuss this matter with you further at your convience.

Sincerely yours,

Herschel Cutler

Herschel Cutler

cc. Mr. John Richards,
DAS, Strategic Industries and Economic Security

UNCLASSIFIED

Printed By: Richard G. Watkins (ICD)

ACTION EB-00

INFO	LOG-00	AID-00	ARA-01	CEA-01	CIAE-00	COME-00	CTME-00
	OASY-00	DINT-00	DODE-00	ITCE-00	SRPP-00	EXME-00	E-00
	UTED-00	FRB-00	H-01	TEDE-00	INR-00	ITC-01	L-01
	ADS-00	NSAE-00	NSCE-00	OES-01	OMB-01	OPIC-01	CIO-00
	SP-00	SSO-00	SS-00	STR-00	TRSE-00	USIE-00	DRL-09
	G-00	/017W					

----------77CEB6 042325Z /38

R 042028Z NOV 96
FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC 3173

UNCLAS KINGSTON 005716

FOR RICHARD WATKINS, EB/ESC 3529

E.O. 12958: N/A
TAGS: EMIN, ETRD, JM
SUBJECT: NATIONAL DEFENSE STOCKPILE DISPOSALS

REF: STATE 213781

1. ON OCTOBER 16, 1996, EMBASSY KINGSTON SENT A LETTER TO AMBASSADOR PAUL ROBOTHAM, DIRECTOR OF THE CARIBBEAN AND THE AMERICAS DEPARTMENT AT THE JAMAICAN MINISTRY OF FOREIGN AFFAIRS AND FOREIGN TRADE. THE LETTER CONTAINED THE TEXT OF THE PRESS RELEASE FROM THE COMMERCE/STATE JOINT COMMITTEE REGARDING THE POTENTIAL MARKET IMPACT OF PROPOSED STOCKPILE MATERIAL SALES (REFTEL).

2. ON OCTOBER 31, 1996, DENNIS E. MORRISON, SENIOR DIRECTOR OF ECONOMICS AND PROJECTS AT THE JAMAICA BAUXITE INSTITUTE RESPONDED WITH THIS LETTER.

BEGIN TEXT:

DEAR SIR,

I AM WRITING TO ACKNOWLEDGE RECEIPT OF YOUR LETTER OF 16TH OCTOBER, REQUESTING OUR COMMENTS ON THE JOINT STATEMENT BY THE U.S. DEPARTMENTS OF COMMERCE AND STATE ON THE PROPOSED STOCKPILE MATERIAL SALES. WE HAVE NOTED THAT 900,000 TONNES OF JAMAICAN AND SURINAMESE BAUXITE IS TO BE DISPOSED OF WHICH REPRESENTS LESS THAN 1 PERCENT OF ANNUAL WORLD PRODUCTION AT PRESENT. ON THIS BASIS, WE DO NOT ANTICIPATE THAT THESE SALES WILL BE DISRUPTIVE OF THE MARKET WHICH IS BASICALLY IN BALANCE AT THIS TIME. FURTHERMORE, WE EXPECT THAT THE MATERIAL WILL NOT BE CONSUMED IN THE SHORT TERM AS WAS THE CASE WITH THE AMOUNTS DISPOSED OF IN THE EARLIER SALES IN 1993 BUT PERHAPS WILL BE USED TO BOOST INVENTORIES TO TAKE CARE OF ANY POSSIBLE DISRUPTIONS IN SUPPLY.

IN THE CASE OF THE ALUMINIUM SALES, YOU SHOULD BE AWARE THAT THE MARKET IS PRESENTLY IN AN OVERSUPPLY SITUATION WITH INVENTORIES RISING SINCE LATE 1995. WITH WORLD PRODUCTION INCREASING IN THE AFTERMATH OF THE EXPIRATION OF THE 1994 MEMORANDUM OF UNDERSTANDING (MOU) ON OUTPUT RESTRAINTS AND DEMAND BEING SLUGGISH ESPECIALLY IN WESTERN EUROPE AND JAPAN, MARKET CONDITIONS ARE NOW WEAK AND PRICES HAVE FALLEN SHARPLY IN 1996. THIS PATTERN IS EXPECTED TO CONTINUE FOR THE REST OF 1996 INTO EARLY 1997 AND WILL BE REINFORCED BY THE CONTINUING HIGH LEVEL OF EXPORTS FROM THE FORMER

Printed By: Richard G. Watkins (ICD)

SOVIET UNION. THE SALES OF ALUMINIUM FROM THE U.S. STOCKPILES WILL THEREFORE ADD TO THE OVERSUPPLY EVEN IN A MARGINAL SENSE.

OF COURSE, THE WEAKENING OF ALUMINIUM PRICES DIRECTLY AFFECTS THE EARNINGS OF THE LOCAL BAUXITE-ALUMINA SECTOR AS GOVERNMENT REVENUES ARE CLOSELY LINKED TO THE PRICE OF ALUMINIUM. THIS IS BY WAY OF THE BAUXITE LEVY WHICH IS INDEXED TO METAL PRICES AS WELL AS ALUMINA PRICES WHICH ARE ALSO INCREASINGLY INDEXED TO METAL. ALUMINA PRICES HAVE A DIRECT IMPACT ON INCOME TAXES DERIVED FROM THE PROFITS MADE BY THE LOCAL ALUMINA COMPANIES AND ON THE PROFITS OF GOVERNMENT-OWNED COMPANIES.
THESE COMMENTS ARE SUBMITTED FOR THE CONSIDERATION OF THE RELEVANT U.S. AUTHORITIES AND WE HOPE YOU WILL FIND THEM USEFUL.

END TEXT.
COOPER

ҚАЗАҚСТАН РЕСПУБЛИКАСЫНЫҢ ПРЕМЬЕР-МИНИСТРІ

№_____ «___»_____199__жыл

The Honorable Warren Christopher
Secretary of State
of the United States of America
The U.S. Department of State
Washington, DC

Dear Secretary of State,

Allow me to draw your attention to the problem on successful resolution of which the economic prosperity of Kazakstan and that of the entire world market of ferrochrome is dependent.

As we were informed, the US Government's Defence Logistics Agency (DLA) has carried a solicitation to sell more than 50, 000 tons per year of ferrochrome on the world markets, beginning with 31 st July 1996.

Taking into account that Kazakstan is among major suppliers of ferrochrome in the world and this is one of its important export items, the uncoordinated move in this sphere might bring instability in the world prices on this product.

Moreover, this would have very serious consequences for the economy and industrial base of Kazakstan. Our concern is based on understanding that today not solely the economic, but also business reliability of the country is imperiled, and its reputation among investors is under the threat.

Through its successful privatisation programme - strongly encouraged by the international financial institutions - the Government of Kazakstan has secured millions of dollars of private investment for revitalising this key industrial sector. This has been accompanied by steady progress towards the liberalisation of our national economy. Now the DLA ferrochrome sale threatens to disrupt the market, push already depressed prices lower, and undo the hard work the Government has put into the modernisation of our country's economy. Coming on top of the punitive antidumping duties on Kazakstan ferrosilicon - which has effectively barred imports into the USA - you will appreciate my close interest in the disruptive consequences for Kazakstan of this US decision.

We would therefore like to call upon you to undertake a very urgent review of the DLA's trade decision, so as to remove or mitigate the negative effects which such a move could have on the international market in ferrochrome.

The Honorable Secretary of State, we in Kazakstan highly value a strong support of the USA in independent and sovereign development of our country and invariably count on your understanding and assistance.

000198

5550-001

MTC 98-14/2

Allow me to express a hope that this problem would find its solution to the mutual satisfaction of both sides.

I am copying this letter to President Clinton and to Defence Secretary Perry.

Thanking you for your understanding in this matter and looking forward to your early reply.

Yours,

Akezhan Kazhegeldin
Prime-Minister of the Republic of Kazakstan

Almaty

August 03, 1996

copies - **President Clinton**
Defence Secretary Perry

Государственному Секретарю
Соединенных Штатов Америки
г-ну Уоррену Кристоферу
Государственный Департамент США
г.Вашингтон

Уважаемый господин Государственный Секретарь,

Позвольте привлечь Ваше внимание к проблеме, от решения которой зависит не только экономическое благополучие Казахстана, но и мирового рынка феррохрома в целом .

Как нам стало известно, Правительственное Оборонное Агентство по технике перевозок и снабжения вышло с предложением, начиная с 31 июля 1996 года, поставлять ежегодно на мировые рынки более чем 50 000 тонн феррохрома.

Учитывая, что Казахстан входит в число крупных поставщиков ферррохрома в мире и он составляет одну из важных статей его экспорта, несогласованный шаг в этой сфере может привести к появлению нестабильности мировых цен на этот вид продукции.

Кроме того, он будет иметь весьма серьезные негативные последствия для экономики Казахстана и его промышленной базы. Наша озабоченность основана на том, что сегодня поставлена под угрозу не только экономическая, но и деловая состоятельность Республики, ее авторитет перед инвесторами. Успешное осуществление программы приватизации, которая была активно поддержана международными финансовыми институтами, позволило Правительству Казахстана привлечь миллионы долларов частных инвестиций для возрождения этого ключевого для промышленности Казахстана сектора экономики. Этот процесс сопровождался неуклонным продвижением Республики по пути либерализации его национальной экономики. Теперь же продажа феррохрома Оборонным Агентством грозит разрушением сложившегося рынка, дальнейшим снижением и без того уже низких цен на эту продукцию и сводит на нет колоссальную работу, проделанную Правительством страны по модернизации экономики. Если добавить к этому введенные США антидемпинговые санкции в отношении казахстанского

5550-802

ферросилиция, что полностью закрыло его импорт на американский рынок, то Вам станет понятна причина моего столь заинтересованного внимания к разрушительным последствиям для Казахстана данного решения.

Мы призываем Вас в срочном порядке пересмотреть решение в отношении торговых операций Оборонного Агентства с тем, чтобы устранить или ослабить то негативное воздействие, которое он может вызвать на международном рынке феррохрома.

Господин Государственный Секретарь, мы в стране высоко ценим ту огромную поддержку, которую оказывают США в деле независимого и суверенного становления Казахстана и неизменно рассчитываем на Ваше понимание и содействие.

Разрешите выразить надежду, что данная проблема найдет свое разрешение к обоюдному удовлетворению обеих сторон.

Я направляю копии данного письма Президенту Клинтону и министру обороны Перри.

Спасибо за Ваше понимание и с нетерпением ожидаю Вашего скорого ответа.

Акежан Кажегельдин
Премьер-Министр Республики Казахстан
г.Алматы

03 августа 1996г.

копии - Президенту Клинтону
Министру оборону Перри

MIC 98-15

T.C. BÜYÜKELÇİLİĞİ
TURKISH EMBASSY
WASHINGTON D.C.

1714 MASSACHUSETTS AVENUE, N.W.
WASHINGTON D.C. 20036
TEL:(202) 659 8200 FAX:(202) 659 07 44

FAKS
TELEFAX

KIME/TO	Mr. Richard Meyers
FAX NO	(202)482-5650
KIMDEN/FROM	A. Rifat Köksal
TARIH/DATE	12 Nov. 1996

TOPLAM SAYFA ADEDI / TOTAL NUMBER OF PAGES
KAPAK DAHIL / INCLUDING COVER SHEET : 2

TURKISH EMBASSY
WASHINGTON, D.C.

November 6, 1996

Mr. Richard Meyers
Department of Commerce
14th & Constitution Avenue
BXA/OIRA, Room H3876
Washington, DC 20230

Dear Mr. Meyers,

It has come to my attention that the **Market Impact Committee** is deliberating the *Government Stockpile Plan* for the next fiscal year, and among the items under consideration are 250,000 tons of metallurgical chrome ore and 50,000 tons of ferro chrome. We are also aware that the chrome industry has been facing extreme problems during the last six months. With the current worldwide chrome ore and ferro chrome markets generally weak and price depressed, I believe the proposed stockpile sales are not timely and will further weaken the industry.

Therefore, I respectfully suggest that the **Market Impact Committee** reconsider the issue in light of the detrimental effects that will result for several developing economies, including Turkey.

Sincerely,

Nuzhet Kandemir
Ambassador

MIC98-16

EMBASSY OF PERU

1700 Massachusetts Ave., N.W.
Washington, D.C., 20036
Phone: (202) 833-9860 - Fax:(202) 659-8124

To
Mr. Richard V. Meyers.

Office of Strategic Industries and Economic Security, U.S. Department of Commerce
Fax Number: (202)482-5650.

From
Alfredo J. Valencia, Minister Counselor (Economic)
Date : 11/12/96

Pages : 04 *(including this cover)*

REMARKS

I am pleased to transmit to you, herewith, the comments of Peru concerning materials disposal from the National Defense Stockpile for FY 1998 Annual Materials Plan.

It is our earnest hope that you will kindly consider such comments.

Sincerely yours,

Comments of the Embassy of Peru to the National Defense Stockpile Market Impact Committee concerning materials disposals from the National Defense Stockpile under the Fiscal Year 1998 Annual Materials Plan.

Since the beginning of its history, Peru has been prominently involved with the extraction of minerals.

Thanks to the Andean highlands topography and the country's geology, there is a great variety and abundance of minerals such as silver, copper, zinc, lead, iron and gold; also antimony, indium, vanadium, selenium, tellurium, arsenic, bismuth, cadmium, tin, tungsten, molybdenum etc. Although Peru has only been partially explored, there is strong evidence in favor of new and significant discoveries. To put our interests in perspective, Peru is the world's third producer of silver, fifth of zinc, sixth of lead, seventh of copper and twelfth of gold.

In the country's mining history Peruvian workers, technicians and professionals have always stood out for their skill and dexterity. Peru counts with a valuable and highly qualified labor force that has contributed to the successful development of the mining sector.

Peru, today, offers attractive investment possibilities in line with an economic policy acknowledged to be one of the most liberal in the world. Important and positive changes have taken place in the country since 1990.

Notwithstanding the above, Peru remains very sensitive to artificial interventions in the market such as the negative impact which stockpile disposals have in the economy of the country and in the other mineral producing and exporting nations.

Why are we concerned about the stockpile disposals?

The importance of mining in Peru's economy continues to grow, minerals make up a very significance percentage of Peruvian exports -more than 50%- and prices for metallic minerals continue at low levels and more so if we compare them with the ever increasing prices of the imports needed by the mining industry. If you add these things together it will be realized why the stockpile looks very significant to us.

There are other factors at play, prices are weak in general and in the case of zinc, exports from Eastern Europe and China make it impossible for prices to recover to acceptable levels.

With respect to Peruvian lead, it is a fact that very few mines in the world produce exclusively lead. Lead production is nearly always a secondary product associated with zinc mineralizations and/or historically more important silver contents. These lead production tends to trend with zinc output or when bolstered by high silver prices. Since Peru is an outstanding zinc and silver producer, the associated production of lead is also high.

The international nature of the minerals markets, and the state which many of those markets are in, mean that stockpile disposals can have a tremendous effect on producers, not just internationally but also in the United States.

Peru appreciates very much the opportunity to express our views on the effect of stockpile disposal to the stockpile administrators and the Market Impact Committee. We trust that the Committee will take the right steps to minimize the adverse market impact of such disposals and market distortion avoided as far as possible.

The stockpile administrators, we hope, will give due consideration to the industry's concern. Each material's market has its

own problems which needs to be looked as carefully as possible in assessing the capacity of each market to absorb released material.

The stockpile's administrator's interests starts from the desire to dispose of the maximum possible volume of material. The interest of producers and exporters start from an opposite perspective: how to maintain a healthy market for their products. Exporting countries such as Peru clearly have a lot in common with United States producers of materials in the stockpile.

Concerning the disposal of the above mentioned materials the Embassy of Peru respectfully suggests the need to hold frequent and meaningful consultations with the interesting parties on all matters related to the stockpile. Otherwise the defense logistic agency announcement of disposals will have no other relevant meaning than that of plain notifications of impending release.

MIC98-17

Sovereign
recycling

P.O.Box 10308
Bettendorf, IA 52722 U.S.A.
☎: (319) 355-2722
Fax:(319) 359-7984
Telex: 6732325 Soverin-UW

November 15, 1996

Mr. Richard V. Meyers
Co-chair
National Defense Stockpile Market Impact Committee
Office of Strategic Industries and Economic Security
Room 3876
U.S. Department of Commerce
14th & Constitution Ave., N.W.
Washington, DC 20230

Re: **Disposal of Cobalt**

Ref: Comment of Sovereign Recycling International dated Oct. 30, 1996 (Docket No. MIC98-10)

Dear Mr. Meyers:

Sovereign Recycling International would like to supplement its previous comments on cobalt sales with one additional point. I understand from public remarks of the Stockpile Director, Mr. Connelly, that, if less than all of the cobalt offered for sale during the year is actually sold when initially offered, the unsold amounts are (or could be) added to the final sale of the year. This could easily result in an unusually large sale at a given time.

Such a policy would adversely affect the return the Stockpile receives on its sales, and would have an undue disruptive effect on the market. There are two reasons. First, the mere fact that the quantity offered at a given time is large will tend to depress the price. As noted in Sovereign's previous comments, the amount the Stockpile already proposes to sell in monthly or bimonthly allotments is already too large, without an expanded allotment at year's end. Second, if the market is told that any unsold amount will merely be added to a later allotment in the year, buyers have added reasons to wait (or to bid higher than they otherwise would during the year). They will expect that they will have a second chance to bid on the same allotment, that the price will be depressed, and that the Stockpile will feel a greater need to dispose of stocks at the end of the year if it has not met its monthly targets.

Therefore, it would be more prudent to have a general policy of not carrying unsold quantities forward from sale to sale or from

MIC 98-17

year to year, and to make that policy public. This would not have any adverse impact on Stockpile management. It would affect only the timing of sales, and would not hinder the Stockpile from disposing of the entire amount of cobalt authorized for disposal within the 10-year period that Congress established or in meeting its mandate.

Sincerely,

Steven J. Strulowitz
President